

# FAR EASTERN ECONOMIC REVIEW

Vol. V.

Hongkong, December 22, 1948

No. 25

FROM THE CONTENTS:—  
*Mining & Industries in F.E.*  
*U.S.-China Relations*

*Shipping & Industries*  
*North China Reports*

*Philippine Reports*  
*Situation in Japan*

## WHITHER HONG KONG?

by  
ARGOS

The honeymoon is over. It has been a grand time while Hong Kong has been wedded to prosperity. Those who visited the Colony following the Japanese surrender find it difficult to believe that this is the same city. For in Hong Kong alone among the countries of the Far East have practically all visible traces of the war been effaced. In three glorious years of boom with trade touching record figures year by year, with ever mounting profits in business, and a higher standard of living for most of the inhabitants, Hong Kong has been able to rebuild its shattered portals, grasp in ever larger handfuls the entrepot trade of Eastern Asia and to emerge commercially stronger and more powerful than at any time in its history.

The picture is all the more bewildering when contrasted with the countries which surround Hong Kong. From Tokyo to Sourabaya, from Manila to Rangoon, the Far East tells a story of economic collapse and political disturbance which has made Asia the world's largest depressed continent. Torn by political feuds, internal revolts and civil war, economics has been smothered by the eternal wranglings of factions who put party before country and self before mankind.

So as another year draws to its close and Hong Kong prepares to congratulate itself or give thanks, according to the mood, it may be profitable to pause a moment and ask the explanation of this paradox whereby an island of prosperity can exist in the sea of bitter contests and seemingly commercial stagnation. And maybe such analysis if not producing the key to the future, will reveal some of the tasks to which men should now lend their energies.

Hong Kong is an entrepot. That means it lives by giving services to

others in the form of banking, insurance, storing, transshipment and brokerage facilities. It produces little within its borders and consequently its prosperity is the measure

of trading activity in the world at large and in particular throughout the Far East. It would be impossible by any stretch of the imagination to concede that Eastern Asia has been prosperous since the end of the war. The area suffered too much during the Japanese occupation to be able to regain even its pre-war trading position. But apart

## Christmas Message

BY

**The Hon. P. S. Cassidy, Unofficial Member of  
Legislative Council of Hongkong Government, and  
Chairman of Hongkong General Chamber of  
Commerce.**

Peace on Earth is rather hard to reconcile with conditions in the world today but there is no reason why we should not strive to achieve Goodwill towards Men. Without smugness I think that we in Hongkong have gone some way towards that goal, for the Hongkong General Chamber of Commerce, of which I have the honour to be Chairman, is an organization which binds together many diverse nationalities in its membership. During the three years since the liberation of the Colony we have, perhaps through fortuitous circumstances, enjoyed a prosperity which has enabled business to be carried on with a minimum of friction. Nevertheless relations between merchant and dealer, wholesaler and retailer, and the business community as a whole with the Government officials who are concerned with the trade of the Colony, rest on a healthy foundation of goodwill and I think that the message which the Editor of the FAR EASTERN ECONOMIC REVIEW has asked for might very well emphasize the need to maintain that spirit of co-operation.

To the many readers of the Review who are to be found in various parts of the world I should like to tender on behalf of the business community of Hongkong best wishes for 1949 and the fervent hope that during the course of the year many of the obstacles to international trade will be swept away.



from the legacy left by the Japanese, two other inter-related factors have dominated Far Eastern Economy.

The first has been internal unrest and political disturbances arising from the situation created during the war. In some countries this has found expression in open revolt against the former metropolitan powers, in the Philippines, Malaya and Burma it has been a minority revolt against established authority, while in China it has taken the form of outright civil war.

The second factor has resulted in the main from the first. The Governments have had to keep going and inflation has been the easy and generally accepted way out. Even if there had been vigorous deflationary financial policies, it would have been difficult if not impossible with the tremendous shortage of goods to avoid some measure of inflation. But nowhere has any Asian country seriously tackled the problem. Budget deficits persist and exports are only slowly and fitfully creeping upwards and still have a long way to go before they reach pre-war levels.

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How then has Eastern Asia been able to keep going? It has succeeded in holding its own: the situation is no worse than it was a year ago and the Hong Kong trade figures indicate that a substantial volume of goods has been moving between the various countries in the Orient. The answer is that the Far East has been living mainly on remittances since the war. The high level of prosperity, in particular in America, has enabled the overseas Chinese to send large amounts of cash back to their less fortunate brethren in the home country. In addition, the countries of Europe and America have literally poured their largesse into the Far East. UNRRA and CNRRA set the pace and when their supplies were exhausted E.C.A. kept the everlasting cornucopia tilted. The United States Government continues to adopt a policy of liberal handouts in the Philippines while the French and Dutch have lavishly endowed their respective possessions in the East with metropolitan funds. The United Kingdom has been unselfish in its treatment of its possessions in Asia, while other countries have found their wartime accumulated sterling balances a very pleasant help in trouble. In short, the Far East has not been living off its own. It has been able to continue because

it has been living on the largesse of Europe and America.

This state of affairs cannot continue indefinitely. The Americans are becoming less sentimental and more realistic. They want to know when the perpetual outpouring is to cease. In the meantime they want to see something for their money. Wise men will accept the fact that much of this beneficence from overseas must cease, and when it does, the purchasing power of the people in the Far East will be pulled up with a jerk.

In some ways, this may not be an unwelcome move. Sooner or later we in Asia will have to learn to pay our own way. The prospect of taking off our coats, getting down to it, and an interim period of an undetermined length at a lower standard of living, will not fall lightly on those who hitherto have been basking in another's sunshine. But the unpalatable fact has to be faced and the slightest sign of a depression overseas, particularly in America, will probably knock the bottom out of our means of purchasing in overseas markets and incidentally will make a hole in the volume of Hong Kong's trade and prosperity.

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There is nothing Hong Kong can do about a possible recession of trade in the countries adjoining the Colony. It can, however, take thought of the morrow in its domestic policy. There has not been unbridled inflation in this Colony, but there has been a plethora of money on the market without a proportionate volume of goods and services, and prices have tended to stay high.

Something, therefore, should be done to drain away by means of taxation some of this surplus purchasing power, but the budget surplus thus accruing should not be spent but locked away until the time when business activity is less as prices fall and budget deficits appear in the offing. On the other hand, some revision could be made in the Government's spending programme. Extensive expenditure was inevitable to get the Colony back on its feet but the spending habit should be carefully examined with a view to turning spending into saving. Large capital expenditure on extensive social services pump purchasing power into the community and keep prices of available

goods and labour high. These in turn mean high costs of production which bring high selling prices, and high selling prices just will not do the moment our neighbours have not the money to spend on our goods and services. New buildings are attractive, new avenues of Government activity are no doubt desirable in this community.

Most of us have our pet schemes on which the Government should dispense its bounties next. Education, social services, port facilities, and new roads and buildings, reclamation and housing schemes, all vie with one another to get their hands into the budget pot. The question at the present time, however, is not "which can one afford to include in a balanced budget", but rather, "which cannot be left over until the inflated economy of this Colony has been put on a more even keel."

It is no longer a question of getting by way of taxation more than we spend or spending a great deal less than is collected. A large budget surplus is as necessary in Hong Kong today as it is in the United Kingdom.

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A little less thinking about planning and a little more "planned thinking" is required. Clearly the only new Government activities which can be labelled "essential" are those which, if not undertaken, will cause the Colony to slip from its position as the major entrepot in the Far East—e.g. a new Air Port. Anything less than "essential" however desirable, should be postponed until we have shaken the last vestiges of inflation from our shoulders. Any other policy will in a few years find the Colony top-heavy with a load of capital assets depreciating in value at a rapid pace while the Colony will perchance be using current income to meet that depreciation and interest on its debt. This Colony, no more than any other country in Asia, can have all it wants. It must decide its list of priorities on the assumption that sometime in the near future Asia will have to pay its own way. The shock of the transition from charity to self-support can be more effectively cushioned if, while the days of prosperity are still with us, we can bring ourselves to peer through the gold and glitter of today to the sterner and more sombre days that must surely lie ahead.



## CONDITIONS OF MINING AND MANUFACTURING INDUSTRIES IN THE FAR EAST

The countries of the Far East, with the exception of Japan, are industrially underdeveloped and their future in the modern world depends largely on foreign assistance and investment. Manufacturing processes continue to be primitive although there are exceptions to this rule which, considering the vast area of the countries in the Far East, are however insignificant. In its latest survey of conditions in the Far East and in South East Asia the United Nations' Economic Commission for this area characterises prewar industrial activities as follows:—(1) the prevalence of cottage or village handicrafts, which went a long way towards meeting the local needs of the people and affording supplementary employment opportunities to the densely populated villages and homesteads; (2) the predominance of the processing industries, mostly for exports, such as tin smelters, oil refineries, rice mills, sugar plants, sawmills, coconut mills, etc., as well as the manufacture of essential articles for daily use, such as textile products, food provisions, building materials, etc.; (3) the absence of heavy industries, such as metallurgical and chemical works, except in Japan and to some extent in Manchuria and (4) the geographical concentration of modern factories in a few large cities along the seaboard, where cheap power supply was available and transportation was easier.

While the mining activities in most Far East countries can be traced back to the end of the last century, the development of industrial production was relatively of recent origin. These countries received the first impetus of industrial development from World War I, which cut off the supply of European manufactured goods to the Oriental market, thereby necessitating the latter to increase its own production to meet domestic needs. With the World Depression after 1929, and the consequent fall of prices of several staple materials, upon which some countries depended as the chief source of income, the need for economic diversification became more apparent than ever. A second wave of campaigns for industrial development started then everywhere in South East Asia and the Far East.

Mineral production always occupied an important position in the Far East and, in the case of several territories, represents one of the major economic activities. However, mining is mostly confined to the excavation of ores or

at best to refining and smelting of ores for export purposes. The relative importance of mining production can be gauged from the percentage shares taken by mineral products in the export trade:—Burma, petroleum products 25 to 30% of total export values; China, tin, tungsten, antimony and minor minerals 8 to 14%; Indonesia, petroleum products and tin 21 to 31%; Malaya, tin 17 to 23% of total export values; Siam, tin 16 to 23%; Indochina, 4 to 5% coal.

### Survey of Conditions of Mining and Manufacturing Industries in Far Eastern Countries

The United Nations' ECAFE survey outlines conditions of mining and manufacturing industries in the countries of the Far East as follows:—

#### Burma

The principal mineral product of Burma was petroleum. In the pre-war years, the annual output of crude petroleum was well over 1,000,000 metric tons. There were five refineries, the largest of which was the Syrian refinery. In 1942 most of the refineries and oil installations were destroyed by an effective scorched-earth policy carried out by the British authorities. Since the end of the war, steady progress has been made by the oil companies in rehabilitating the oil fields. A completely up-to-date refinery was being rebuilt at Syriam, providing employment for some 13,000 workers in 1947. However, it is estimated that the country will not be able to resume oil exports until towards the end of 1950.

Among Burma's metallic minerals, the most important are lead, zinc, and silver produced by the Badwin mines (Burma Corp., Ltd.), and tin and wolfram of the Mawchi Mines. The average annual output immediately before World War II was 53,400 metric tons of zinc ore, 91,300 metric tons of lead ore, 4,870 metric tons of tin ore, 3,400 metric tons of wolfram ore, and 189 metric tons of silver. Damage during the war was heavy. Rehabilitation was under way at the Badwin Mines in the Northern Shan States, where new electric power generators were to be installed. It is expected that a monthly production of about 1,000 tons of refined lead and 2,177 kilogrammes of silver with ancillary by-products could be produced before

the end of 1947. On the other hand, the rehabilitation of tin and wolfram in Tenasserim was extremely slow, largely owing to the difficulty in obtaining plant and equipment from the United Kingdom, as well as the exodus of Indian labour which before the war comprised about 80 per cent of the total labour force.

There was not much industrial production in Burma, apart from sawmills and rice-mills. For the formulation of an all-embracing national development plan with the ultimate object of raising the economic level of the country, the National Planning Department was created in January 1946 by the Burma Government. In May 1947, the National Planning Board was constituted with a view to undertaking detailed investigation and give continuous consideration to matters placed before it. The Board was later superseded by an independent Economic Planning Board. A Two-Year Economic Development Plan was drawn up in the latter part of 1947, and several boards, such as the State Oil Industry Board, the Mineral Produce Marketing Board, and the Hydro-Electricity Board, were created to tackle the key economic problems of the country.

#### China

Despite heavy damages caused by the war, the production of certain minerals and industrial goods in China experienced substantial expansion during the eight years of war with Japan. Both the Chinese government in Free China and the Japanese authorities in the occupied territory did their utmost to develop heavy industries for the purpose of prosecuting the long-drawn-out war. The surrender of the Japanese in August 1945, therefore, left China with a much larger industrial capacity than in 1937, especially in view of her recovery of Manchuria and Taiwan. However, losses subsequent to the Japanese surrender largely offset those gains. The Soviet removal of machinery and industrial equipment in Manchuria and the damage done to the material and equipment in factories in the area south of the Great Wall during the tumultuous period of reoccupation added seriously to the difficulties of rehabilitation and reconstruction.

In 1947, increases in mineral and industrial production were registered in the southern part of China and Taiwan,



but the crippling effect of a constantly shifting war front and the division of China into two hostile parts was felt everywhere. Little was known of the economic conditions in the area under the control of the Chinese Communists. The survey therefore will be largely confined to the territory under the control of the National Government.

In mineral production, coal occupies the foremost place in China. In 1936, coal output of the whole country, including Manchuria but excluding Taiwan, was estimated at 36.9 million tons. During the war, coal production was pushed up both in Free China and in the Japanese-occupied territory. In consequence, the whole country's peak production was estimated at 65 million tons in 1942, of which Free China accounted for 7.3 million tons, North China 30 million tons, and Manchuria 24 million tons. After the end of the war, coal mines in Manchuria suffered great loss in equipment. When the Chinese government took over the mines on the evacuation of the Soviet forces, tremendous effort was spent in putting these mines back into working order. In May 1947, the total output of coal in the five largest mines in Manchuria reached about one third of the wartime level, but following the military reverses in the latter part of the year, all but two mines in Manchuria were lost to the Chinese Communists. In a similar manner, the continuance of fighting in North China reduced the coal output of the eight leading mines in that area from a total of 17 million tons in 1942 to 6 millions in 1947. Production in the neighbourhood of Nanking and Shanghai was able to return to pre-war level but the total output in this area only amounted to 1,350,000 tons, while Shanghai alone requires 3 millions tons a year. Attention has recently been directed to the development of coal mines in Central Yangtze region, but the planned target is 4 million tons, which if realized can hardly compensate for the loss of mines in Manchuria and North China.

China has to rely heavily on imported petroleum products to meet her domestic requirements. Oil production and refining was carried on in Kansu and Taiwan, the total output in 1947 being 528,774 barrels. There were two oil refineries in China with a total capacity of 23,000 barrels per day.

Before the war, the annual production of iron ore amounted to 2.9 million tons, largely from Manchuria and North China. In 1942 the whole country's output was raised to a peak level of 17 millions. However, immediately following the end of war, iron and steel works in Manchuria, North China, and Free China practically all ceased operation. Subsequently, the iron and steel works in Manchuria were dismantled and damaged. Rehabilitation was pushed forward by the National Government in 1947, but the plant fell into the hands of the

Chinese Communists in early 1948. From the mines under the control of the National Resources Commission a total of 15,114 tons of iron ore was produced in 1946 and 18,894 tons in 1947. The total production of pig iron and ferro-alloys in China was recently estimated at about 3,000 tons a month and steel and steel products at 3,676 tons a month.

China leads the world in the production of tungsten and antimony. During the period 1913 to 1937, she contributed about 37 per cent of the world's tungsten production and 60 per cent of the world's antimony production. Pre-war annual production of tungsten averaged about 8,000 tons, containing 65 per cent of WO<sub>3</sub> tungsten. The output in 1947 was 6,402 tons, as compared with 2,638 tons in 1946. The production of antimony ore was estimated at 17,300 tons in 1936 and 81,000 tons in 1938 but the National Resources Commission reported to have produced only 1,780 tons in 1947. China contributed about 6 per cent of the world's tin production, her annual output averaging about 8,000 tons during the period 1917-1946. The production of refined tin was on the increase, the output of 1947 being 1,470 tons as against 1,202 tons in 1946.

In the absence of a manufacturing census, the relative position of manufacturing production in the national economy may be roughly measured by the aggregate sum of value-added in the national-income estimates. According to one of the national-income estimates for China, the net added value in 1933 amounted to 1.8 billion pre-war Chinese dollars while the gross value of national product of the same year was estimated at 7.7 billion pre-war Chinese dollars. Thus, manufacturing activities representing both factory and handicraft production created about 23 per cent of the national product of China. In order of importance, the food industry ranked first, contributing about 49 per cent, and the textile industry came next, with 29 per cent. In manufacturing production, non-factory production, i.e. handicraft production, far outweighed factory production, the ratio being 73 to 27. If factory production alone is considered, the cotton-spinning industry ranked first, producing about 20 per cent of the net added value of the total factory production. Next in importance were rolled tobacco, wheat flour, electric power, cotton weaving, metal, silk spinning and weaving. Among non-factory industries, the most important were flour and rice milling, oil pressing, cotton weaving and wood working industries.

Since 1933 the general pattern outlined above is believed to have undergone little change, except in Manchuria, where big strides were made toward industrialization after 1937. In 1943, Manchuria was reported to have produced 4,200 million kwh of electric power, 25.3 million tons of coal, 1.7 million tons of pig iron, 495-

000 tons of steel, 1.5 million tons of cement, 92,000 tons of ammonium sulphate, 133 million metres of cotton cloth and 76,386 tons of paper. However, the productive capacity of that area was greatly reduced by the large-scale removal of plants and equipment during the period of Soviet occupation subsequent to the Japanese surrender, and the situation was made worse by the civil strife raging in 1946 and 1947.

Industrial production in Taiwan also experienced expansion during the war. The peak production was reached in 1942. The most important industries in this island were food, sugar, tea and canned fruits. Serious damages, however, were inflicted on the industrial equipment by Allied bombing in the later days of the war.

The limiting factor in the improvement in industrial production in the regions which were comparatively remote from the scenes of actual fighting was the shortage of coal and electric power. At the time of Japanese surrender, the aggregate installed power capacity in the occupied part of China was about the same as in 1937. However, due to depreciation and damages done by aerial bombing, the total available capacity on V-J Day was only about one-half of the pre-war plants and equipment had been removed from one place to another by the Japanese during the period of occupation, thus causing considerable confusion and losses. The production of electric power was further handicapped by the shortage of fuel. The decline in coal output in Manchuria and North China described earlier, was mainly responsible for the fuel shortage. So long as these coal-producing areas are not available, the industrial development in the Nanking-Shanghai region and other parts of China will continue to be severely curtailed.

Among other factors which accounted for the slow recovery of industrial production were the difficulty in obtaining replacements for machinery and equipment, the inadequate supply of raw materials, high labour cost, and the run-away inflation. On the other hand, the import-control system has given many industries an undisputed domestic market and has also provided cheap exchange rates for the purchase of foreign supplies approved by the Government. But, on the whole, these advantages are far outweighed by the handicaps which arise generally from the unsettled economic and political conditions.

### Indo-China

The principal mineral product of Indo-China is anthracite, the output of which reached 2,335,000 metric tons in 1938 and 2,615,000 metric tons in 1939. Other ores mined in Indo-China were iron, tungsten, manganese, tin, zinc, bauxite, gold and silver. Annual production prior to World War II averaged about 53,000 metric tons of



iron ore, 341 tons of tungsten ore, 1,767 tons of manganese ore, 1,567 tons of tin ore, 5,380 tons of zinc, and 150 kilogrammes of gold. Tonkin played the dominant part. In 1923, it represented about 99 per cent of Indo-China's total production of minerals, but this percentage was later reduced by the development of mining enterprises in other regions, particularly tin mines in Laos. In 1937, Tonkin mines accounted for 83 per cent of Indo-China's mineral production, while Laos's share was 12 per cent.

During the war years, mineral production dropped considerably. Since the end of the war, rehabilitation of mining and industry was hampered by the political difficulties. In 1946, coal production fell off to 261,000 metric tons. The fighting between the French and the Viet-Minh troops at the end of the year accounted for low coal production in the beginning of 1947. Although increase in coal output was noticeable after August 1947, total production of coal in 1947 fell further to 250,000 tons. Another illustration of the decline in mineral output is the production of phosphate which reached 37,300 tons in 1938 but practically ceased in 1947.

The manufacturing activities of Indo-China were confined to the processing or light industry, such as rice mills, sugar plants, soap factories, cotton goods, cement, alcohol and tobacco factories. Owing to political unrest and other difficulties in rehabilitation and reconstruction, the industrial production of Indo-China since the end of the war was much lower than the pre-war level.

#### Indonesia

Prior to World War II, mineral production represented one of the important economic activities in Indonesia. The share of mineral products in the total export value rose from 17 per cent in 1920 to 29 per cent in 1939. The most important group is petroleum products. In 1939 and 1940, the output of crude petroleum reached 8 million tons or about 3 per cent of the world's total petroleum production. According to the 1938 figure the geographical distribution of petroleum production was as follows: Java 13 per cent, Sumatra 63, Borneo 23, and Moluccas 1 per cent.

Next in importance was tin, found on the islands of Banka, Billiton and Singkep and the Riouw Archipelago, with an annual total production of about 33,000 tons before the war, the largest share being contributed by the mines of Banka. Indonesia was almost self-sufficient in coal, the pre-war output being 1.75 million tons a year. Coal mines are located in Sumatra and Borneo. Other mineral products were as follows:

	Annual Average 1936-38
Bauxite .....	192,000 tons
Phosphate .....	24,000 "
Sulphur .....	14,000 "
Manganese ore .....	9,800 "
Asphalt .....	4,900 "
Gold .....	2,100 kg.
Silver .....	18,100 "
Nickel .....	20,000 tons

The total value of mining production in 1938 is put at 280 million guilders with an employment of about 60,000 persons.

During the war, most of the mines were severely damaged. Rehabilitation after the war was hampered by political difficulties between the Dutch authorities and the Republican forces. So far as petroleum is concerned, reconstruction proceeded satisfactorily only at Tarakan where oil, as extracted from the wells, can be used as fuel without having to go through a complicated process of refining. The total oil output by the Tarakan Petroleum Company amounted to 173,527 tons in 1946 and 153,190 tons in the first seven months of 1947, as compared with 682,663 tons in 1939. On the other hand, the situation at Balikpapan, is far less favourable. With difficulty a small installation was constructed for carrying out the most important part of the refining process locally. The production in the latter part of 1947 was about one-ninth of the pre-war output, or about 9,000 tons per month.

Tin production, concentrated in Banka and Billiton, was resumed swiftly. The output of the first four months of 1947 amounted to more than 6,800 tons of ore, with a tin content of 5,100 tons. Coal production was recovering very slowly. In the first four months of 1947, Borneo produced about 30,000 tons, while Sumatra, roughly 70,000 tons, equal to about 7 per cent of the 1938 production.

The industrial production in Indonesia was largely confined to small industries and home industries. In 1938, the total industrial production was estimated at 430 million guilders, of which 170 million guilders came from the mechanical industry, 150 million from the small industries, and 110 million from the home industries. Two-thirds of the industrial concerns were in Java, which measured by employment and power capacity, were generally two or three times those in other islands.

The textile industry and the food industry were two most important branches in the industrial production. In 1946, the textile industry produced 128 million metres of woven textile of which 25 million metres were produced by the village home industry. This production was sufficient to satisfy one-seventh of the local requirements. In 1940-1942, the Government tried to increase production of the light industry so as to attain a better balanced economy within the country. The development plan was interrupted by the Japanese advance and a large part of the industrial equipment was destroyed in the course of war. In the second half of 1946 the production of most industries was at 20-30 per cent of their pre-war capacities. By the middle of 1947, production reached one-third of the pre-war level.

#### Japan

Japan has made rapid recovery in mineral and industrial production. If the years 1930-1934 were taken as the base period, the annual index of mining and manufacturing production, com-

puted by SCAP, dropped from the record high of 201.5 in 1941 to 61.5 in 1945 and 32.5 in 1946, but rose to 40.9 in 1947. The monthly index for December 1947 was 44.8 which was a record high since the end of war. Mineral production attained a much higher level than manufacturing. The index of mining production increased from 65.4 in 1946 to 84.9 in 1947, while that of manufacturing rose from 27.4 to 34.1 during the same period. Of the principal mineral products, the production of lignite and iron ore was maintained throughout the post-war years at a level much higher than that of 1930-34. The output of zinc ore which in 1945 and 1946 sank below the 1930-34 level rose again in 1947. If the years 1946 and 1947 were compared, iron ore and crude petroleum were the only mineral products which showed a drop in production in 1947. Of manufacturing production, those which rose above, or had never sunk below, the 1930-34 level were refined lead, motor trucks, ammonium sulphate and lumber. As compared with 1946, the manufacturing production of 1947 saw setbacks in wool yarn, wool woven goods, motor trucks, railway rolling stocks, rubber, tanning, salt, miso, and beer, apparently due to the depletion of pre-war stocks of raw materials and the unavailability of the new supply.

The limiting factor of Japan's industrial production, particularly manufacturing production, is the condition of raw material supply, which in turn depends upon the size of imports and the means of acquiring key commodities as raw cotton, wool, fertilizers, etc., in the world market. The present level of industrial production cannot be expanded substantially unless raw-material imports can be secured in much larger volume.

#### Korea

Under Japanese control, Korea was not developed as a self-sustaining economic unit. Most of the productive activities were closely linked with the manufacturing and mining industries in Japan. The severance of economic and political ties with Japan since the end of war caused paralyzation of the Korean economy. The work of rehabilitation and readjustment was made more difficult by the division of the country into two zones. Almost 90 per cent of electric generating plants, all iron deposits, bituminous coal mines, and chemical industries are located in North Korea, while South Korea, chiefly agricultural, supplies textile products, tungsten, fluorite, and gold. The separation has left South Korea short of bituminous coal and fertilizer and dependent on North Korea for electric power. In 1946 and 1947, the amount of electric power delivered to South Korea by plants in North Korea was much larger than the power generated by South Korea's own plants, but the total power available still fell short of requirements, thus hampering the recovery of mineral and industrial production.

During 1947, the larger gold and other mines have been put back into



operation in South Korea, but owing to the shortage in machinery parts, production was very low.

The recovery in manufacturing production in South Korea has not been satisfactory. The low industrial production has been attributed to shortages of raw materials, lack of replacement and repair parts, inadequate numbers of skilled labourers, and transportation and power difficulties.

#### Malayan Federation and Colony of Singapore

Malaya was the largest producer of tin ore in the world, supplying about 34 per cent of the total world output in 1936-38. To the Malayan economy, the tin industry ranked next in importance to the rubber industry. Tin-smelting was largely done in Singapore, and, to a lesser extent, in Penang.

While the smelting industry suffered simply from neglect and bad management during the war, much more serious damages were done to tin mines as a result of the scorched-earth policy. Damages and loss of equipment also took place during the interval of the Japanese surrender and the British re-occupation. It was estimated in the early days of the liberation that it would cost between M \$70,000,000 and M \$75,000,000 to rehabilitate the industry to a productive capacity of 75,000 metric tons per annum. Rehabilitation was further hampered by delays in machinery deliveries and a shortage of fuel, due to the fall in the coal output of the Malayan Collieries. Much progress, however, was made in 1947. By the end of the year, monthly tin output reached 4,580 metric tons, as compared with the monthly average output of 6,830 metric tons in 1940.

Other mineral products mined in Malaya before the war were gold, iron, coal, tungsten, manganese and bauxite. The coal mines are situated at Batu Arang about 30 miles north of Kuala Lumpur. The equipment on the mines suffered severe losses during the occupation and cost of replacement was estimated at about M \$4,000,000. Iron ore was obtained by the Japanese in large quantities in Trengganu before the war and was mostly shipped to Japan. After the re-occupation, production of iron ore was very small.

Besides rubber and tin, the copra and pineapple processing industries ranked next in importance. In the case of Singapore, the port is more important as an entrepot rather than as a producing centre. After the re-occupation, industrial rehabilitation was hampered by labour unrest which was due to the shortage of food supply and the general demoralization as a result of the Japanese occupation. Progress was nevertheless made during the post-war years. Among the more important industries which were re-established during 1946 were engineering yards, a tin smelting plant, oil mills, breweries, distilleries, rubber milling factories, rubber works, ice works, sago factories, soap factories, boat-building yards, brick works and aerated water factories.

#### Philippines

The principal metals produced in the Philippines were gold, silver, iron ore, chrome, manganese ore, copper ore and

copper concentrates. Almost all mines suffered heavy damages during the war and many of them may never be opened again. In the pre-war years, gold was by far the most important product in the Philippine mining industry. In the period 1936-40, gold output averaged about U.S.\$30 million per annum. During the Japanese occupation, the mines were flooded and most of the equipment dismantled or destroyed. Recovery was not easy in view of the current shortage of new equipment and machinery. The production of gold in 1946 was reported to be merely 32.8 kilogrammes, as compared with about 28,000 kilogrammes in 1938. Substantial improvements were made in 1947—three gold lode mines and one placer dredge were put back into operation from a total of 50 in 1947, and by October 1947 the production was running at the rate U.S.\$3 million a year (at U.S. \$35 per ounce) or less than 10 per cent of the pre-war volume. The 1948 output was expected to be much larger than that of 1947.

The production of iron ore reached 1,121,461 metric tons in 1940, but completely stopped after the war. Authentic estimates have placed the Philippine iron ore reserves as ranging between 11,000,000 and 22,000,000 tons of 60 per cent or more metal content, and approximately 1,000,000,000 tons of lateritic Surigao ore which averages 57.76 per cent iron, as mined, and 70 per cent on the dry basis. The production of iron ore in the Philippines is therefore capable of revival and even considerable expansion, especially in Northern Mindanao, where the most extensive known iron deposits are owned by the Government.

Other metals produced before the war were copper ore and concentrate, chrome, manganese ore and lead concentrate. Before the war, copper concentrates were produced as main products of gold mining operations. The fall in gold production, therefore, reduced sharply the supply of copper concentrates. The chrome and manganese mines have been revived to some extent, the output of 1947 being 5,694 and 3,375 metric tons respectively, as compared with 66,910 and 49,359 metric tons in 1938.

The pre-war production of coal was small, mostly from the Ligan Mines, Batan Island. In 1938, the coal output amounted to 41,000 metric tons, which met only a small fraction of the domestic demand. About 250,000 tons of foreign coal were imported in 1938. The output of the first six months of 1947 was estimated at 49,786 tons.

The manufacturing industry in the Philippines is mainly confined to the processing of agricultural products, such as sugar centrals, rice mills, coconut mills, rope and cordage making, tobacco factories, etc. There were four textile mills, together with some 200 units of home weavers, in operation prior to the war, with a total annual production of about 22 million metres. Three of these mills were totally destroyed during the war. The production of cotton yarn and cloth in 1946 by the textile mills of the National Development Company, the only company which has resumed production, was 610 metric tons and 2,800,000 metres

respectively, as compared with 1,920 tons and 10,400,000 metres in 1941.

Electric power produced in 1938 amounted to 208.7 million K.W.H. of which 160.9 million were actually sold. The total electric power produced after the war was not known, but the production of the American-owned Manila Electric Company, the largest producer of electricity in the island, accounting for about 75 per cent of the estimated total generating capacity in 1940, showed an increase from the monthly average output of 15 million K.W.H. in 1941.

Serving as a blueprint for industrial development in the Philippine Islands, a comprehensive report was issued by the technical staff of the National Development Company under the supervision of the H. E. Beyster Corporation of the U.S.A. in October 1947, popularly known as the "Beyster Report." The main feature of the programme is the decentralization of the industries for strategic reasons and the provision of the people in all regions with an opportunity for employment in the factories and plants to be established. Two programmes, one short-range involving a total expenditure of P. 40,980,000, and the other long-range, covering a period from 10 to 15 years, are envisaged.

By the end of 1947, preparations were made to set into motion 12 of the approximately 50 different types of industries recommended in the Report. These include the rehabilitation of the Insular Sugar Refining Corporation; a nail factory, a sawmill, a paper plant, a finishing mill, a sash and door plant, livestock industry, rice and corn projects, expansion of the government textile mill; a plywood plant; and fishing boat building.

#### Siam

Siam has long been a large producer of tin. Since the signing of the International Tin Control Agreement in 1937, the country became the fourth largest producer of tin in the world. From 1939 onwards, the standard tonnage allotted was 18,628 metric tons (metal content of ore) with additional buffer stock quotas. Most of the tin dredges were operated by the British and Australian mining companies before 1941. A large part of Siam's tin ore was shipped to Penang for smelting, although there were several small smelters in Siam, operated by the Chinese. In the latter part of 1946, an agreement was signed by Siam, Australia, Great Britain and the United States providing for the disposition of tin stock and ores that had accumulated in Siam during the period of Japanese occupation, the allocation of purchase quotas of tin metal and ores between Great Britain and the United States, and compensation to the British and Australian mine owners for losses suffered under the Japanese occupation. The agreement, which was to be in force for three months and was subsequently extended, terminated on September 30, 1947, after which the question of allocation of tin metals and ores was separated from the settlement of war claims. Because of these procedural and administrative difficulties, in addition to shortages of equipment and



parts, tin mining in Siam has not yet been fully rehabilitated.

In the pre-war years, considerable quantities of wolfram or tungsten were produced, mainly as by-products of tin mining. With the fall in tin production, the output of tungsten was also reduced.

Besides rice mills and saw mills, Siam's industrial production is confined to a few commodities, namely, cigarettes, cement, sugar, matches, and newsprint, mostly for local consumption, although small exports to other Far Eastern areas were not unknown. Total cigarette production in 1947 was estimated at 2,500 million, but since October 9, 1947, the manufacture of cigarettes was placed under state monopoly. There is one modern-equipped cement factory in Siam. Output in 1940 was estimated at 100,000 metric tons. The production of newsprint reached the record high of 2,283 tons in 1941, but dropped to 256 and 490 tons in 1945 and 1946 respectively.

The total electric power produced in Siam amounted to 46,220 and 49,241 thousand K.W.H. in 1941 and 1942 respectively. It fell to 20,700 and 11,675 thousand K.W.H. in 1944 and 1945 respectively. The year 1946 saw a revival to 33,261 thousand K.W.H. As Bangkok alone produced about 39,637,000 K.W.H. in 1947, the total production of electric power in Siam in 1947 appeared to have increased substantially over the preceding years.

## FUTURE DEVELOPMENT OF MINING & INDUSTRY

### GOVERNMENT PLANNING

Contrary to private and unconcerted individual action which was the rule of economic development up to World War I, government planning has been the order of the day since the latter part of the thirties. In Asia and the Far East, some of the countries had developmental plans put into effect in the late thirties, only to be interrupted by the war; some countries made planning during the war in anticipation of the peace-time to come; and still some started planning after the end of the war or on their attainment of political independence. These plans, drawn up by the central government with or without the participation of private business, usually cover the whole economic life, and are not specifically concerned with industrial development, although industrialization or economic diversification is their main objective.

Indonesia has an industrial development plan in progress, which would follow the principles laid down in the "Industrial-political outline for Indonesia."

Owing to their position as an entrepot rather than a producing centre, Hong Kong and Singapore do not feel the need of planning for industrial development, while the Malayan Union, preoccupied with rehabilitating mines and estates, has not yet made attempts to plan for future economic development.

Japan and Korea, under allied military occupation, are already under rigid system of control and planning.

On the withdrawal of the controlling power the governments of both countries will no doubt continue to enforce some kind of economic planning in order to tide over the difficulties. It is, therefore, apparent that government planning is the most important factor which should be taken into consideration in the study of the future development of mining and industry.

### STATE ENTERPRISES

Related to government planning is the widening scope of government activities in business. The increasing role played by government in business was already apparent during the World Depression since 1929. The tendency of the government going into business has been made more evident since the end of war. On account of heavy losses to private property and also as a logical extension of the wartime powers of the government, the task of recovery and rehabilitation was largely performed by the government itself. In addition to expediency, there is a definite demand from the people for the nationalization of large enterprises which affect the general welfare of the nation. In response to this sentiment, some governments are planning to take over those private industries which hold a key position in the national economy. Furthermore, in order to hasten the tempo of economic development, it is deemed necessary for the government to take active part in the exploitation of natural resources and the supply of basic materials. For all these reasons, a substantial portion of production and distribution is now carried on by the government-controlled corporations.

In Burma, for instance, various Boards, such as the State Oil Industry Board, the Mineral Produce Marketing Board and the Hydro-Electricity Board were established with the ultimate view of achieving State Socialism.

In China, the National Resources Commission, a department of the Central Government, contributed about 36 per cent of coal production, 65 per cent of electricity, and 35 per cent of tin in 1947. The China Textile Industries Inc., a government corporation, controlled 39 per cent of the total spindles and 57 per cent of the total looms in the country and produced about 42 per cent of cotton yarn in 1947; and as of September 1947, about 28 per cent of the total tonnage of sea and river-going vessels was in the hands of the state-owned shipping companies.

In Indo-China, the policy of state-controlled colonial development was well known before the War. The Central Government had a large interest in the transportation and electric power production.

The Dutch Government in Indonesia was a large investor and owner of many of the leading enterprises before the war. In 1932, 8 per cent and almost 10 per cent in more recent years of the state income came from business enterprises. Both the Dutch and the Republican authorities will assign to the government the major portion of the responsibility for the development of the Indonesian economy.

In the Philippines, the National Development Company, founded by the Government in 1937 with a paid-up capital of 26,411,300 pesos, acts as the main government agency to execute the industrial developmental programme. The charter permits the Company to engage in any kind of business enterprise which is calculated to bring about a rapid but systematic development of resources, or in which private capital has not been invested. It has organized several subsidiaries including the National Food Products Corporation, National Rice and Corn Corporation, National Warehousing Corporation, National Footwear Corporation, Cebu Portland Cement Company, and Insular Sugar Refining Corporation. There are other minor government corporations and agencies, such as the National Abaca and Other Fibres Corporation, National Coconut Corporation, and National Rice and Corn Corporation. The last-named corporation was previously a branch of the National Development Company, but has recently been converted into an independent organization. These government corporations, though not created to compete with private capital, will no doubt exercise important influence on the Philippines economy.

In Siam, the Government also took an active part in establishing new industries even before the war. In 1937-38, the government spent 1.25 million baht for the development of the sugar industry and secured a controlling share in the holding company of sugar. Among the government enterprises of Siam the most noted are a paper factory in Kanchanaburi, a distillery at Bangyikhan, a modern weaving mill, to which a dye-works is attached. It is reported that the Siamese Government is planning to construct a textile factory in one of the north-eastern provinces.

While there is a strong case for the government to take part in business, it is yet uncertain what would be the line of division between the government and private enterprises, and most private businessmen are demanding that a definite policy be promulgated by the government in its relation with the private industries.

### FOREIGN CAPITAL

In the face of expanded government activities in business and increased control and planning over economic life by the state, the problem of foreign capital assumes special significance in the post-war period. Owing to technological backwardness as well as special political ties, almost all countries in the Far East owed their initial stage of industrial and mineral development to foreign enterprises.

According to the estimates for years varying from 1935 to 1939, the total foreign investments, in Burma, Indo-China, Indonesia, Malaya, the Philippines, and Siam, excluding those made by the Chinese residents, amounted to U.S.\$3,836 million, of which U.S.\$2,715 million were entrepreneur investments. In Burma, the exploitation of petroleum was almost exclusively in the hands of three great corporations, the Burman Oil Company, the British Burma Petro-



leum Company, and the Burma Shell Oil Storage and Distributing Company of India. Lead, silver, zinc, copper, nickel, and some iron were exploited by a British firm, the Burma Corporation, Ltd. Tin and tungsten were exploited by the Tavoy Tin Dredging Corporation, the Anglo-Burma Tin Corporation, the Consolidated Tin Mines of Burma, Ltd., and the High Speed Steel Alloys Mining Company, all of which were British-controlled.

In China, before the outbreak of the Sino-Japanese War in 1937, foreign controlled coal mines supplied almost half of China's total annual production; most of iron mining in China Proper was controlled by Japanese capital; and in the modern cotton textile industry, British and Japanese capital controlled almost half of the spindles and almost 58 per cent of the looms.

In Indo-China, the main producers of minerals were great French corporations such as the Societe Francaise des Charbonnages du Tonkin at Hongay, the Compagnie Miniere et Metallurgique de l'Indo-Chine with mines at Chocien and foundries near Haiphong, the Societe des Etains et Wolfram du Tonkin, and the Societe des Ciments de l'Indo-Chine in Haiphong. From 1885 to 1940, total investments of French capital in Indo-China were estimated at 5,200 million piastres of 1939, that is U.S.\$1,130 million.

In Indonesia, foreign entrepreneur investments in 1937 were estimated at U.S.\$1,411 million, of which US\$1,040 million was from the Dutch investors, and U.S.\$200 million from the British.

In Malaya, the total foreign entrepreneur investments were estimated at U.S.\$372 million, exclusive of the Chinese investments which were placed at U.S.\$200 million. The British portion was well over 70 per cent of the total business investment. In the former Federated Malay States, about 40 British companies with a capital of eight to nine million pounds sterling were engaged in tin-dredging, while tin smelting was dominated by the Straits Trading Company and the Eastern Smelting Company, both of which were British firms. The most important single gold mine in Malaya was owned by the Raub-Australian Gold Mining Company, Ltd.

In the Philippines, total foreign direct investments in 1936 were estimated at U.S.\$315 million of which U.S.\$163 million was American and U.S.\$90 million, Spanish. American capital held a key position in gold mines, public utilities and the sugar industry. Spanish interests were also large in gold mines and sugar mills.

In Siam, foreign investments were estimated at U.S.\$124 million in 1938, of which U.S.\$90 million was in entrepreneur investment. Tin-dredging was mainly in the hands of the English and the Australian companies, while most of the rice mills and part of the saw mills were Chinese.

During the war, considerable losses were suffered by foreign enterprises, but owing to their large resources, the progress in rehabilitation and recovery of foreign enterprises did not compare unfavourably with other enterprises. The new problem that is facing the countries of the Far East is the proper

## THE FUTURE OF AMERICAN—CHINESE RELATIONS

### WRITING OFF THE CHIANG KAI-SHEK REGIME

*The current acute political and military crisis in China is confronting the U.S. Government and the American people with the alternative of either taking an active part in the civil war of China on the side of the tottering Nanking regime or writing off the government of Chiang Kai-shek and let events take their course. It appears that the U.S. Government have resolved to disentangle America from the upheaval in China. One of the best qualified American experts on Far Eastern affairs, Mr. Nathaniel Pepper, in a recent issue of the New York Times Magazine, outlines the choice which the U.S. today face in China and he comes to the conclusion that America must write off the present regime headed by Generalissimo Chiang and thus retain full freedom of action in the Far East. Mr. Pepper's views are usually shared by the leading officials in Washington and his articles often interpret, for the American people, the intentions and policies of the U.S. Administration. Mr. Nathaniel Pepper's outline of the crisis in China and the American attitude and expected policy vis-a-vis China follows.*

The two salient facts are, first, that China is now being drawn into the Communist orbit and, second, that America, since it has been supporting, even underwriting, the Chiang Kai-shek government, has suffered a severe reverse. In consequence America must decide whether to accept the reverse and write off the loss, or try to arrest further drift into the Communist orbit, however great the risk entailed.

The question now is whether a country with one-fifth of the world's population and one of the largest land masses of the globe is to become a satellite of Moscow, at Moscow's disposal politically, as are Poland, Rumania, Bulgaria and Hungary, and perhaps at Moscow's disposal, too, for military purposes. America must choose between waiting to see if the danger materializes into reality, and taking appropriate action now to forestall it.

place to be given to foreign enterprises in national planning. It is generally recognized that foreign capital is very much in need and, in some countries, even indispensable for the execution of the developmental programmes. But on the other hand, the national governments will naturally reserve the right to exercise due control over all private business activities in the interests of the nation as a whole. The manner in which the existing foreign enterprises are treated, therefore, will be a delicate problem, the solution of which may well affect the future flow of capital from the industrially advanced countries to the Far East and South East Asia.

This necessity for choice is not new. It is not wholly the result of the disaster to Nanking's arms in the last two weeks. Nanking's apparently sensational defeats have only given it dramatic accent. To those with any experience in China it has long been obvious that Manchuria would fall and that North China could not be held.

But because the process of the Nanking government's deterioration was slow, though steady, it was possible for America to evade clear decision, to continue neither getting out nor getting in, to postpone unpleasant choice by throwing Nationalist China periodic "sops" in the form of financial "aid," enough to keep it from collapsing at the moment and not enough to give it something on which to stand. The amount at any one time was small, but the total exceeds two billion dollars, and China is worse off than at the beginning.

Now the cumulative effect of deterioration has begun to tell. The foundation, sapped little by little over a long time, is suddenly giving way. The Chinese are not particularly shocked, having expected it for a long time and discounted it. America, however, is shocked. And in a sense the Chinese government's debacle is not an unmixed evil for America. It presents an issue that can no longer be dodged.

What will happen in China no one can foretell in detail, but the general direction is unmistakable. The one certainty is that the Chiang Kai-shek government is tottering. Unless shored up from without—and this means buttressing on a scale not yet attempted or even considered—it will fall or at best survive as a small local regime, carrying perhaps international recognition but exercising no authority outside its immediate environs.

What will succeed the Nationalist government is not so clear. There may be a coalition in name only. Two years ago, when General Marshall was striving for a genuine settlement, there might have been a genuine coalition, that is, a government representing all parties and schools of opinion. But at first the Nationalist government would have none of it and later, when the Nationalist government began to sag, the Communists saw no advantage in it. Today, a coalition government would be a Communist government with a few non-Communists for decorative effect. For practical purposes, whatever the official government, the Communists will soon exercise power over at least half the country and before long quite likely over the whole country.

This has an internal and an external aspect. The internal is the less serious. So far as the rest of the world is concerned it is mainly a matter of philosophical interest whether the Chinese order their economic affairs on a collectivist principle or an Adam Smith principle, so long as the Chinese alone are affected.



What matters to the rest of the world is whether China is arrayed in a coalition which is a power bloc as well as an exemplar of a social philosophy. In a few words, what matters is whether China will become another satellite of Russia or at least an arm of Russian foreign policy.

Which it will be no one who is free from prejudice can answer now with certainty. One can, as a matter of fact, be more confident that China will not be a Communist society at the outset than that it will not be a Russian satellite. The Chinese Communists have long made their program known, and there is no reason to disbelieve them, since it is not calculated to win them friends in the non-Communist world. For one thing, they repudiate the pleasant notions that they were only agrarian reformers. They admit bluntly and without pressing that they are Marxists and that their aim is a Marxist society in China.

But the Communists know that China, as an unindustrialized country lacking in technological experience and surplus capital, must go through several transitional phases before it can arrive at genuine communization. These phases include a fairly high degree of private ownership and management and a degree of political democracy. There would be a mixed economy, with both state ownership and private ownership in smaller enterprises and there would be for a time representative political institutions.

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On the external aspect there is more cause for doubt and concern. The Communist leaders maintain or used to maintain that while they have a philosophical affinity with Russia, their role in world affairs would be Chinese and autonomous. This thesis becomes acceptable only with reservations now that America has armed and subsidized their enemies, and now that the Russian-American cleavage cuts across the whole world.

Yet there are still some grounds for believing that the Chinese Communists would remain their own masters. In this connection the Tito episode may be significant. In so far as Serb nationalism has played a part in Yugoslav intransigence, there is reason for hope for a Communist China. Chinese nationalism is as self-conscious as Serb nationalism. There is in China no element of instinctive kinship with Russia such as the Serbs feel as Slavs. On the contrary, there is an instinctive suspicion of all white powers.

Further, the Chinese Communist party has been established long enough and was cut off from Russia long enough to have become nationalized in a way that no other Communist party is outside Russia. The Chinese Communist leaders have worked out their own theories, their own program for nearly thirty years; it is far from certain that when finally successful after a long struggle they will immediately surrender control of their own movement.

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More important, the success of Com-

munist in China is conditional on industrialization and modernization, which in turn are conditional on capital goods obtained on credit, which in turn can come only from America. There would thus be some reason for not antagonizing America by too close an affiliation with Russia.

Against all this, however, is the fact that the propaganda of the Chinese Communists in the last two years has been in exact harmony with that of Russia. It has become more virulently anti-American as Russian-American relations have worsened. While it is true that American help for Chiang Kai-shek has given the Communists a grievance of their own, it is also true that in content, direction and intensity, their propaganda has more closely reflected America's relations with Russia than America's relations with China. And if the division of the world into two camps becomes sharper, there is at the very least a fair presumption that the Chinese Communists will conclude that no country can stay neutral and that therefore China must array itself with Russia.

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In that case the consequences for all of Eastern Asia would be fateful. Russia would hold sway from the Adriatic to the Pacific. American prestige would be one of the victims. Whatever the reason may have been—whether in anticipation of China's economic potentialities when industrially developed or in fear of threat from a strong power established on the opposite shore of the Pacific or just in reluctance to abandon a diplomatic position once taken—the fact is that America has for decades assumed the role of sponsor and guarantor of China's sovereignty. Thus, national prestige is involved, and at a time when the world is apparently dividing into two camps and prestige is not only a token but a political weapon.

China has been and is the magnetic center of Eastern Asia, drawing to itself all that lies around and beyond it with almost polar force. It is difficult to conceive of China being attached to Russia even after the manner of the Balkans, without the rest of Eastern Asia, if not all Asia, following after it as if pulled by gravitation.

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Economically Eastern Asia at least would be sequestered from the rest of the world. It would be for Russia to develop its resources, to transmute them into military potential and then to confront the Western world with a Eurasia integrated for whatever purpose Moscow elected. It would be the most powerful empire known to man, the Roman and British not excepted.

What must we in America do? One thing is now beyond argument: the course followed up to the present has been futile. To continue it would be dangerous as well as futile. Doling out money to Chiang Kai-shek is useless. Money will not keep his government from falling. Neither will arms. As a matter of fact the Chinese Com-

munist now are fighting with American arms they have captured from the Nationalists, and the more arms we send Chiang Kai-shek the more the Communists will have.

Military "advisers" to train Chinese soldiers for efficiency in the future are equally useless. The Chinese armies now in being will be wiped out or captured before then.

The inescapable fact is that the Nationalist armies are irrecoverably beaten and must be written off. And the Nanking government cannot survive by its own efforts alone or by its own efforts reinforced by America.

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America can no longer temporize or postpone choice by resort to financial dribbles. One of two things must be done, and the effectiveness of either will be in proportion to the expeditiousness with which it is done. Either China must be written off or America must intervene in full force. Let us consider the cases for each alternative.

The first choice means acceptance of Communist rule over China with the probability that China will then adhere to the Russian bloc. In that case America must count on one of two things: either that there will be a general settlement with Russia on a worldwide basis or that, if conflict is inescapable, America will seek decision in the West rather than in Asia. This means, of course, letting Asia go to Russia by default in advance.

If that risk is deemed too great—and a good case can be made for such a position—then the only other course is to interdict Communist control over China and to take effective measures to that end. That means sending in a large force of American troops with corresponding armament, taking up positions in North China and informing the Communists that they advance further at their peril. It means exercising unofficial but effective control over the Nationalist Army, both as to command and organization. It means supervision over the government itself much more closely than in Greece, for example. It means, in short, taking over China until the Communist danger is eliminated or the differences with Russia are settled, with or without war.

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That large numbers of the Chinese people would be hostile to such an intervention, including many who are not Communists, is self-evident. But that risk would have to be run. That the Russians might respond in kind, sending their own troops into Manchuria and North China to stiffen up the Communists there, is also possible, if not probable. That risk too, would have to be run. At any rate the burden of decision would be put on Russia.

But in that way alone can the Nanking government be saved and Communist control over at least half of China frustrated. "Aid," it must again be emphasized, will not serve. It has already aggravated the situation. We have only alienated large groups in China, who resent alien intrusion into their affairs for any purpose and



who hold us responsible for prolonging the civil war. All there is to show for our efforts now is so much American taxpayers' money thrown away

What has come about is unfortunate but can no longer be helped. To refuse to face it makes it even worse. A balance of risks has to be drawn and an equation stated. Put otherwise, we have two evils to choose from. We have only to decide which is the lesser. Manifestly that is not easy. Not all the factors are calculable now.

On the most detached appraisal, however, it is difficult to refute the argument that in the event of war with Russia China would be a liability rather than an asset. The Chinese army would be an incubus. The safest course would be to sequester it and to set about training an entirely new one in the expectation that the war would last several years. Meanwhile American forces would have to face a trained, battlehardened Chinese Communist army in addition to a Russian army. They would be fighting in territory in which at least a large part of the population would be hostile. That the Chinese Communists would be more successful than we in winning adherents among the Chinese populace goes without saying. They are Chinese and we aliens; they are in their own land and they can use the language, as we cannot. The advantages of logistics would be on the Chinese Communist and Russian side, of course. In fact, for America the logistical disadvantages would be almost insuperable.

There is one further objection, less logical but more compelling. It is American public opinion. That the American people could be induced to support a large-scale expedition to China now, at the risk of immediate war, is fanciful, no matter what the rational calculations may be. If this were a dictatorship, it might be managed. But it is not, and the American people have never gone to war on a coolly reasoned intellectual decision when the circumstances did not force a decision automatically.

Considerations into account, it seems wiser then not to draw the issue with Russia over China. This does not entail complete renunciation. There are positive as well as negative arguments for abstaining. For one thing, it must be repeated that it cannot yet be considered foreordained that the Chinese Communists will resign themselves and their country to Russian jurisdiction. Their revolution has been nationalistic as well as social from the beginning. They may prefer to detach themselves from all coalitions, to retain control over their own destiny and devote themselves first of all to making the country strong, to working out their political and social system in their own way and on their own motive power. They may therefore refuse to attach China as a tail to the Russian kite, to be raised and dropped with the winds of Moscow's foreign policy.

If the worst comes to the worst and the Communists should elect to adhere

## MANCHURIA & NORTH CHINA REPORTS

A number of large and populous cities are now administered by the North China People's Government which is dominated by the Chinese Communist Party (CCP) and reports from there, arriving by mail, suggest that life continues there as usual. Letters from Tsinan, Kaifeng, Loyang, Taiyuan, Paoting, Changte etc. confirm that commerce and production are uninterrupted and that the new municipalities refrain from interfering with the legitimate business of merchants, factory owners, shopkeepers and native bank firms. The possession of gold, silver and foreign currencies is permitted and there are no restrictions for exchange at market rates.

The new authorities try to live up to the name which they have given themselves, namely "People's Liberation" administration. For the population in the CCP-controlled areas the civil war is practically over and rehabilitation is starting with the characteristic resilience of the Chinese farmers and traders. Contact with the outside world is difficult because of the Kuomintang armies' blockade and

the absence of a foreign trade machinery in North China.

The new Government in North China appears anxious to resume foreign commerce but it is confronted by difficulties engendered by the civil war and the non-existence of foreign merchants. Those trading companies which will establish offices in North China as soon as such is practicable are certain to reap great profits; much native produce is piling up in North China waiting for export and the proceeds should all go into purchases of commodities from abroad.

It is pointless to delve into economic theories held or not held by the CCP—the facts of the situation are that the North China People's Govt. encourages private trade and private enterprise, desires to develop foreign trade and does not show any sign of interference with commercial and industrial activity of the population. What goes on in the country, where land reform is carried out by expropriation of the big landowners with others receiving compensation, is another matter. But the redistribution of land to the farmers is expected to yield by far larger crops and thus the export potential of North China is anticipated to increase. It is after all largely agricultural and livestock produce which accounts for most of China's exports while the manufacturing industries, today and for many years to come, will at best turn out cheap consumer goods for the native population and, to a small extent, also for the less developed parts of the Far East, the Middle East and Africa.

### Record of the New Govt.

The Chinese people, by and large, are not interested in politics and are satisfied when living conditions are not too hard, food is available at not too extortionate cost and the authorities do not plague the common man with too many regulations and taxes. After the many years of insecurity, fighting, poverty and suffering the inhabitants of the CCP-controlled provinces in North China are once again settling down to a more normal pursuit of business, and they find that the new authorities are anxious to create and maintain good will and trust among the people. The overdose of anti-Communist propaganda has done the Kuomintang more harm than good; the fantastic reports, emanating from Nanking, about the alleged savagery and cannibalism of the Communists have only resulted in discredit to the Kuomintang whose extravagance boomeranged when the Communist authorities started to take over and administer. The good record of CCP government in the "liberated" areas has been taken note of in Central and South China cities where the population is now no longer influenced by the crude atrocity stories spread by a rather simple-minded propaganda machine.

With regard to the attitude vis-a-vis foreigners, the North China and Manchuria (North East) authorities show

to the Russian bloc, it will nevertheless take them years just to recruit and train enough men for the administrative machinery. It will take them years to solve the agrarian problem and to make a start toward industrialization, without which China's manpower will be the raw material of a military machine and not the finished product.

In the interval there will be time for Russian-American differences to work themselves out one way or the other. Those differences are worldwide and they are therefore susceptible to settlement by compromise on a world basis, one in which China, Japan, Korea and the whole of the Far East will fall naturally into place. If not, and collision proves unavoidable, it would be better for America to take as its main theatre of action one in which we should have allies that can be counted on and where the physical conditions would be less unfavorable to ourselves.

There are, then, three things America can do. One is to continue as it has, frittering away money in the name of aid, which has already proved useless and must be abandoned at once. The other two are to make a forcible intervention in China now, in effect taking over the country, or to do nothing at all and let come what may. Neither is desirable. Neither is without risk. But on balance it is sounder if only by a process of elimination, to forego intervention and let events take their course, meanwhile retaining full freedom of action. It will still be open to us to take any measures at any time that developments in the Far East call for, and we can do so then on our own initiative, free of encumbrances and not forced by hostages we have unwittingly given.



great care not to deal unfairly with European and American residents. Some isolated anti-foreign incidents were reported but they were strongly disapproved by the authorities who, with some justification, blamed them on the Kuomintang-fostered xenophobic indoctrination of the masses. Communists, wherever they are, adhere to the principle of internationalism and discrimination against foreigners is regarded by the CCP, equally with racial and religious intolerance, as a crime. In the present period, the CCP-controlled North China People's Govt. is trying to encourage foreign enterprise and investment in China—stressing, quite naturally, that the principle of equality is to be observed, that is to say that there will be no favouritism for foreigners and that nationals of such countries which do not recognise the newly established authorities in Manchuria and North China cannot be permitted to trade and do business in China. However, exceptions are made as regards such foreign nationals who disavow their respective governments' anti-Communist attitude.

#### Trade with Manchuria

Trade between Hongkong and Manchuria has resumed some months ago via Northern Korea. As no ocean communications are as yet possible between the Manchurian ports and foreign countries several local merchants went themselves or sent their representatives to North Korea from where they entered Manchuria and started business contacts. They found great interest in Manchuria for the promotion of trade and seeing the difficulties confronting traders when shipping commodities in and out of the blockaded country, a diversionary route via North Korea had to be adopted for the time being. Naturally, the cost of imports and exports is thus increased but in emergency times the question of price is secondary.

It is to be expected that more chartered ships will soon be on the Hongkong-North Korea run, bringing here, apart from Korean produce, increasing quantities of Manchurian goods.

Trade should know no prejudice, be it political or religious; the interchange of goods has to be promoted for the enhancement of prosperity. The merchants of Manchuria who trade, as yet on a modest scale, with Hongkong are anxious to buy commodities of any description but of so-called essential character while they offer the rich agricultural produce of their country. Trade with Manchuria could be normalised provided that prudence would prevail in this unreasonable world.

#### REPORT BY "UNITED PRESS"

The American news agency "United Press" reported a few days ago from Nanking about significant developments in Communist China. The condensed report states:—

Chinese Communists are discarding, maybe only temporarily, most of their radical policies and have adopted an attitude of friendly accommodation to all social classes as their chances of

## BUSINESS CONDITIONS IN BRITAIN

### REDUCED PROFIT MARGINS AND BETTER SERVICE TO THE PUBLIC

The shadow of a slump which was seen to settle over Britain's retail and wholesale trade in consumer goods in the spring of this year has lifted again. Although traders are having much more difficulty in selling than they have had for years their total business has remained more or less steady. For several months past the Index of Retail Sales Values has been 10 to 15 per cent, above that of a year ago, and as prices have risen a little less than 10 per cent, the volume of sales has certainly not fallen off. Nevertheless traders are unanimous that the public is not buying as keenly as it did. There are now far better stocks and fuller pipelines in most, though not by any means all, consumer goods. While the shortage of foodstuffs, good clothing, and many durable consumer goods is still severe the consumer can get plenty of other things to buy for his pound sterling. The stores in the great cities as well as in the mining

villages are full of merchandise. That is a new situation for the traders and they are still puzzled by it. They find that the consumer, faced with a wider choice, has grown cautious. Every retail store reports that people now examine quality and price carefully and tend to walk out if the goods are not as they like them.

"There is not so much money about," the retailers say. That is a fallacy which has been repeated in every country in the world since the end of the war. American opinion was full of it in 1947. It was in Britain once before, at the end of the first reconversion period in 1946. People believe that production catches up with money. It does not. For all the additional things that are produced, additional wages, salaries, and profits are created which keep the total purchasing power rising roughly parallel with production. In fact, recent unofficial estimates of Britain's national income indicate that it has been moderately rising again this year. Only in one sense has purchasing power been reduced; a large part of the wartime savings and service demobilisation pay has been spent on furniture, clothing, and various durable goods as it became possible to buy these. Apart from that, there has also been some transfer of custom from the higher to the lower grades of retail stores. The salaried middle class is doing badly; the business community is no longer gathering the fruits of inflation. Both classes have probably been forced to look more closely at the price ticket. The popular chain stores are doing a roaring trade but the more expensive department stores have to do some intensive selling to keep up their turnover. The sections in which supplies are beginning to pile up are radio sets, textiles subject to fashion, expensive shoes, aluminium pots, electric irons, and curtain material—these are some examples. But even in radio sets, where the market was thought to be almost saturated last spring, it needed only an advertising campaign stressing the disadvantages of an out-of-date set to revive sales again.

#### Turnover and Stocks

In short, the slump has not come. It was a modest readjustment of prices, such as the retail trade experienced every year before the war. And it was the last puff of the inflationary engine. Trade is getting back to normal commercial considerations. Until this year people grabbed what they saw for fear of not getting anything. Now they have a larger choice and feel that supplies are increasing. They demand the right size, colour, quality and the make which they prefer; and they compare prices. Anything that is dearer than the average and not good value for money becomes hard to sell. Traders now have to watch their prices carefully and to accept losses where they have made mistakes in buying. Most of them have now set-

taking over the Government and country mounted. The Communists, especially in the areas which they captured during the last six months, are showing leniency and friendship to the people. Private business and property in the cities are protected and factory owners are not dispossessed of their wealth. They are not forcing city dwellers to work for them and those wishing to leave for Kuomintang China are permitted to do so and even given travel facilities.

During the last weeks, the Communists have organised many "apology" units. These units go into villages and apologise to the people for what wrong may have been done them and sound out their views on suggested improvements.

Severe discipline has also been imposed on Communist troops who are not allowed to take anything without payment. Their treatment of captured Nationalist soldiers is also generous. Officers above the rank of major are sent to indoctrination camps but officers of lower rank and enlisted men are given the option of joining the Communist army after a short training course or go home or return to the Nationalist side. Recently, two platoon commanders captured by the Communists in Huhsien, 45 miles south of Hsuehchow, were released and allowed to return Nanking.

The Communists, however, are rigid in their control of thought. When they take over a city their first action is to root out anti-Communist elements. Only their own newspapers are published and school textbooks and courses are changed. Religious freedom is permitted.

The new change in Communist tactics may only be a temporary expedient to get the people's support in view of the possibility that they may soon have to rule them. It may also be due to their desire to show the people in Kuomintang China that they are not the brutal terrorists as painted by Nationalist propaganda.



tled to accepting this new situation as a revival of a very familiar pre-war condition.

The slowing down of turnover at the retail end has had another significant result. It has tied up more money in the goods lying on the shelf. The retailers were forced to look more carefully at their shelves and discovered that there was no reason to carry so much merchandise. In many lines it is now fairly easy to get regular deliveries from the wholesaler. So they reduced their stocks and forced the wholesaler to carry more at the warehouse. Those retailers who did not grasp the change in time get into financial difficulties. The next stage was that the wholesalers found money getting tight. Some of them, their warehouses crowded with slow-moving or out-of-fashion goods, are going through anxious times. Others have been pushing the burden of stock-holding another stage further back to the manufacturer. The movement is only now getting well under way. Only in one or two lines where retail sales began to bog down many months ago have manufacturers where

possible, been diverting production to exports.

#### Useful Results

The reduction of the post-war scramble for goods to a more commercial approach has had thoroughly useful repercussions. It has recalled retailers and manufacturers — oh, how unwillingly! — to their duty to satisfy the consumer. This change of attitude is still in progress. One can still find plenty of salesmen who are annoyed with the customer for not taking the first thing he is offered; but one can also find plenty of customers who turn their backs and walk elsewhere. This is cutting into profit margins but it is quickly squeezing out the shoddy merchandise at high prices that found a market in the extreme shortage conditions of the immediate post-war period. Austerity in Britain's home market will no doubt continue for years yet, but it is beginning to look much less unpleasant. As the supply of well-made goods at reasonable prices expands the consumer is slowly beginning to get more choice and better service.

## ENTERPRISE

At a recent meeting of the National Foreign Trade Council in New York, the Council strongly asserted that the system of free competitive enterprise has no equal in stimulating man's creative energies and satisfying his economic needs.

Enterprise is the primary virtue of good business. It is a quality to which all businessmen the world over pay lip service. It is the justification for any new departure from former business routine; it is the reason for last year's favourable Balance Sheet; it is the shining light which radiates from the prosperous firm.

It is a quality which glows at its brightest within ourselves but emits only a feeble splutter from our competitors. Or so we think.

Businessmen rightly rate enterprise high because it is the stimulant for new ideas, new methods, and new ventures. This year's enterprising merchant will be found exhibiting at the British Industries Fair because there he will come in contact, either in person or in name, with a group of far-sighted colleagues who wish to know new houses with which they can deal, new markets which they can probe and new sources of goods and services at which they can buy. They will choose those who have exhibited at the Fair because they too appreciate a display of genuine enterprise.

You cannot afford to miss the British Industries Fair because you dare not omit being remembered among the enterprising organisations of the business world.

advises Britain's Export Promotion Department on matters of exhibition policy and represents the main trade associations of these industries. It will be staged on the ground floor of the vast exhibition hall at Earls Court, London.

Also at Earls Court will be housed the Commonwealth Section and part of the general and sales service. Leather and the allied industries will be found on the first floor at Earls Court, together with foodstuffs, beverages and tobacco; furniture and floor coverings; suction cleaners; plastics; pottery and glassware.

At Olympia, London, will be found (on the ground floor) chemicals; chemists' supplies; printing machinery; office equipment and machinery; music and radio; jewellery; cutlery, silverware, watches and clocks, and part of the general and sales service. On the first

## INFORMATION FOR HONG KONG MERCHANTS ABOUT THE BRITISH INDUSTRIES FAIR

British Industries Fair will take place from May 2nd to 13th 1949.

#### Exhibits:

Exhibits and exhibition space must be booked and paid for by January 15th. After that date the Committee cannot guarantee that space will be available. Exhibits should be available about the same time so that they can be placed on view for local business men.

With regard to exhibits it must be emphasised that all exhibits should be price ticketed, so that the buyer can see at a glance the cost of the article.

It is also essential that exhibitors should have by the side of their exhibits a leaflet giving a comprehensive survey of the products which the exhibitor handles or produces. This leaflet should give the address of the firm and the cable address, if any. It should also give particulars of the products, and the prices c.i.f. at the major European, African and Near East ports, e.g. London, Antwerp, Hamburg, Marseilles, Lagos, Mombassa, Colombo and Alexandria. Prices f.o.b. are not very informative to the buyer who can have little idea of the freight and insurance rates operating between Hong Kong and overseas ports.

These leaflets or handbooks should be printed on thin paper. They will be taken away by enquirers and will be filed for future reference. Since many of the buyers will come by air they will not want to be burdened with bulky commercial literature on their way home.

#### Visitors:

Persons intending to visit London should decide immediately whether they wish to take advantage of the special British Industries Fair aircraft.

This plane will leave Hong Kong about the 20th of April and will leave London on the return journey about May 20th. The cost will be approximately £250 for the return journey. Applications for seats on this plane should be made before December 31st 1948.

Intending visitors should also state whether they will require the Committee to furnish accommodation during their stay in London. This can be arranged at reasonable rates.

Provision will also be made for visitors from Hong Kong to call on British factories, and particulars should be lodged with the Hong Kong Committee.

#### Passports:

The Hong Kong Committee will make facilities for those who do not possess passports or travel documents. Application for such documents by visitors to the British Industries Fair should be made in the first instance to the Secretary of the Imports and Exports Department Tel. 39250. Persons who do not hold a valid passport can be provided with a valid travel document.

The Offices of the Hong Kong Government in London will be available to visitors and the Hong Kong Agent will be pleased to advise and assist in every way.

## BRITISH INDUSTRIES FAIR 1949

The textile and clothing industries of the United Kingdom will be making a major display at the British Industries Fair which opens in London and Birmingham on May 2 next. The display will be under the aegis of the Textiles Exhibition Working Committee which



## EXCHANGE & FINANCIAL MARKETS

### Outlook for Business with the Far East

Although the level of trading in 1948 was high, compared with 1947, and Hongkong's entrepot business continued to flourish, the tendency since the middle of the year has been pointing towards a decline in the volume of imports and exports.

Imports of consumer articles and capital goods from the industrialised nations—which became Hongkong's re-exports to Far Eastern markets—cannot be expected to be maintained on the current level because a saturation point in consumer demand in this part of the world has been reached and further expansion of sales is limited by the poverty of the majority of the native population, their economic backwardness and slow progress in productivity, political unrest and civil strife.

What exchange reserves there were after the end of war have been exhausted and new credits are hard to obtain. China has been the most acute disappointment of traders of all nationalities and prospects for her rejoining the world of commerce are yet remote. Private enterprise no longer considers investments in the majority of Far Eastern countries as promising and the granting of private loans has become a rare occurrence. Even in the Philippines there is a growing trend toward economic nationalism and discrimination against foreign capital.

Japan may turn out to be a great field for private and State capital in-

vestment but conditions at present are not yet conducive to large scale development plans; undoubtedly, the Japan of the future will be a prosperous and highly productive country and foreign participation and assistance will be most welcome—Japanese of all walks of life have assured foreign business men of their desire to have them invest capital in the country's innumerable enterprises and opportunities.

Governments have shown definite reluctance when it came to a question of new investments in Far Eastern countries, and China's bankruptcy has entirely discouraged the opening of conversations on sinking new money in the strife-torn country. Political loans, actually donations, granted by the U.S. have masked the increasing insolvency of the non-British part of the Far East. If not for the American financing of the Far Eastern chapter of the "cold war," which often appeared as part-investments in industry, commerce and communications, the purchasing power of the peoples from Japan, Korea and the Philippines to Siam and Indonesia would have been markedly lower, and the business of Hongkong, always being a good barometer for general trade in this part of the world, would have been considerably reduced.

In order to pay for the Western nations' products—urgently required to maintain the present relatively low standard of living and operate industries and communications—the people in the Far East must increase their exports. Only thus they can acquire exchange to pay for imports and services (principally shipping, air transport, banking, insurance, education). But the expansion of exports is conditioned on an increase in production which is limited on account of primitive production methods and backward agricultural tradition, aggravated by internal unrest and destruction and inordinately high prices.

It appears imperative that the trade of the nations in the Far East not only balances but actually produces an export surplus because these countries' invisible balance of trade is highly passive, i.e. they expend more than they receive in foreign exchange. (In addition to the usual services performed by foreign nationals or governments in and for countries of the Far East, there are always considerable outpayments in exchange made in every such country for remittance of dividends and company profits as well as foreign and native individuals' savings or capital transfers to Western countries).

The further limited purchasing power of Far Eastern peoples should tell on the Colony's trade but whatever business there is and might be developed, the Hongkong merchants can be relied upon to grasp any such opportunities.

It will be essential in the next year that no official obstacles are created by lack of proper understanding and appreciation of the trade position in the Far East. H.M. Treasury in the past showed concern lest Hongkong be de-

veloped into a "leak" for hard currency earnings of the Sterling area dollar pool; although there was some evasion it never had any real influence on the position of sterling in the free exchange markets and it did not contribute to a depression in the unofficial sterling/dollar cross rate.

With the self-eclipse of China the entrepot business of Hongkong has grown in territory and ambition, until in 1948 it became the true reflection of commercial conditions in the whole Far East; merchandise from every part of the Far East, from Burma to Korea, was traded here and European and American products were actively distributed to the same countries. To sell from now on will require more effort, ingenuity and enterprise; official assistance will be most welcome but restrictive measures, mostly conceived in partial ignorance about actualities such as prevail in the Far East of today, are dreaded by traders, bankers and shippers.

What has to be clearly appreciated from now on is that cargo has got to move; the financial part of a commercial transaction is relegated to secondary importance as the vital consideration must be to promote production, employ labour, utilise shipping space, pay insurance premia and banking commissions, earn profits and overheads. Fortunately, for Hongkong's future trade promotion, sterling is appreciating everywhere and the anxiety for the stability of this currency, which remains the principal exchange of the modern world, has gone for good. British production and exports have achieved and continue to achieve records and all countries now stand in growing need of more sterling.

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### US\$ MARKET

After the last few hectic weeks of sales by recipients of drafts from overseas Chinese it now appears that this season's inward remittances were considerably reduced when compared with the last season (i.e. Chinese New Year in 1948). This fact is due to a decline in earnings by overseas Chinese in Far Eastern countries while U.S. resident Chinese (citizens and aliens) seem to have made remittances equal to last year. As very little foreign exchange is routed by Chinese remitters abroad via official Chinese banks, the bulk of inward remittances destined for the families and friends of overseas Chinese has been handled in Hongkong.

Last week's principal buyers were Chinese politicians, wealthy emigres from Shanghai and other Central & North Chinese cities, and brokers acting presumably on behalf of important interests in Nanking (Government and Army). Their purchases sustained a high TT New York rate.

Demand from gold and commodity importers was slack; although imports of gold into Macao are profitable at the moment, the current stocks are a very potent deterrent for the placing of new orders; and merchant demand remains on the usual level with no prospects for an increase.

floor will be sports goods; fancy goods; stationery; paper and publishing; and brushware. Toys and games will occupy the second and third floors.

The sections devoted to jewellery, plate and watches and clocks; leather and allied industries; office equipment; chemicals; plastics; scientific instruments; photographic goods; furniture and printing machinery are being organized in varying degrees by their respective trade associations in close collaboration with the Department.

Arrangements are being made to provide two schemes of uniform stand construction for exhibitors to ensure harmony of appearance throughout the Fair and to secure the most economical use of stand construction materials. The Department is being advised on the general decor and layout of the Fair by Mr. R. J. Goodden, A.R.I.B.A., and Mr. Basil Spence, F.R.I.A.A., who will be responsible for these matters at Earls Court and Olympia respectively.

In the Birmingham section of the Fair will be found the exhibits of the engineering, building, hardware and electrical industries.

Inquiries regarding the Fair can be addressed to the Export Promotion Department, Exhibitions Division, Horseferry House, Thorney Street, London, S.W.1., and the Birmingham Chamber of Commerce, 95, New Street Birmingham, England.



Unofficial sterling crosses in Europe continued to advance and New York's free market quoted during last week from 3.20 to 3.30. Zurich, Brussels and Paris quoted sterling at a cross of 3.12 to 3.20. The Far Eastern free or unofficial exchange markets remained, as an exception to the rule of over one year, behind the cross rates established abroad. Hongkong's unofficial cross rate moved last week between 3.13 to 3.17, Shanghai approx. the same, Bangkok 3.11 to 3.15. Against the New York free market the local cross rate was lower by 4 to 5%, and about 21% below the official London/New York rate.

Highest & lowest quotations here last week, per US\$100, in HK\$:—507½—502; drafts 507½—501; TT 511—504 (or US\$19.57 and 19.84 per HK\$100). Cross rate 3.13, low, 3.174, high.

Sales in the native exchange market (excluding direct sales between merchants):—TT US\$1,183,000, drafts 579,000, notes 342,000, a total of US\$2,104,000.

## GOLD MARKET

Highest & lowest prices of last week \$302—290½ per tael; cross rate US\$ 48.75, high, 47¼, low. Overseas gold markets quoted around 44, f.o.b.

Sales in the local spot market: officially 6,580 taels, unofficially 33,430 taels. In the forward market a total of 853,280 taels (bought & sold), of which 603,470 in the morning, and 249,810 in the afternoon sessions.

## Trading Reports for the week:—

Monday, Dec. 13:—Opening & closing rates \$299½—298½. On the fictitious forward market the change over favoured sellers at the interest rate of 6 H.K. cents per tael per day. Throughout the week the change over rate remained in favour of sellers. The market weakened on the Chinese Government Banks' continued selling at the official price without change, but later reacted when asked price abroad raised.

Tuesday, Dec. 14:—Opening & closing 298¾—296¾. Change over 4 cents. With higher prices in China, especially Shanghai, rates jumped to 302 highest of the week under review, but heavily declined on peace rumours in China. The wide fluctuation of 8¼ points was mainly following the erratic prices in Shanghai.

Wednesday, Dec. 15:—Opening & closing 297¼—295¼. Change over 3 cents. Although peace talks in China denied, market continued easy on the hope of eventual success.

Thursday, Dec. 16:—Opening & closing 294¾—294½. Change over 3 cents. It was rumoured that President Chiang was going to resign, rates declined to 290½, lowest of the week recorded. The continuous recovery of Sterling abroad was also a factor. Market turned steady at the close by profit taking purchases.

Friday, Dec. 17:—Opening & closing 293—294¾. Change over 2 cents. Macao stock was reduced, the difference of prices with the local market narrowed down. Exports began to all Chinese ports with profit. Market was quiet with steady undertone.

Saturday, Dec. 18:—Opening & closing 295¾—295½. Change over 4 cents. Higher prices in all Chinese ports stimulated the market. In the unofficial afternoon market, some business transacted at 294¾.

## Trading Position:—

Total cash bars turned over during the week, officially 6,580 taels and unofficially 33,430 taels. About 20,000 taels changed hands by interest hedging forward operators, 25,000 taels exported and some for local ornamental consumption.

Imports from Macao during the week amounted to 24,000 taels, these were imported early in the week.

Exports totalled 25,000 taels, with details following:—Bangkok, 7,500 taels, Saigon and Haiphong 5,000 taels, Singapore 4,000 taels, Rangoon 2,500 taels, and Chinese ports including Shanghai, Canton, Amoy and Swatow 6,000 taels. With the above mentioned figures, stocks in Hongkong were declining, and judging from the cessation of imports, further liquidation of stocks anticipated.

## CHINESE CURRENCY MARKETS

Monetary inflation in China continued at a rapid rate; no official figures are available from the Central Bank of China but informed estimates put the total issue at present at over ten billion yuan, after deducting the amounts which were recently redeemed by the issue of gold and silver to the public at 1,000 yuan per oz of gold and 10 yuan per silver dollar coin plus an equal amount for "deposit" (fixed for one year). Meanwhile these official sales were discontinued in China except in Shanghai where small quantities are daily handed out. Total gold sales to the public are estimated to have aggregated, from Nov. 22 to Dec. 18, less than ½ million ozs, absorbing about one billion yuan.

Old fapi notes ceased to be exchanged for the new legal tender as from Dec. 16. An estimated 20% of old yuan notes were not turned in to the Central Bank of China as they were either lost, destroyed or holders considered it too much trouble to exchange huge amounts of almost valueless scrip for new currency which is rapidly losing in purchasing power.

Yuan circulation in Canton is on the up and up with nearly 2 billions estimated in the city thus causing the lowest China rates for TT Hongkong. Flight capital from the north congregates in Canton from where it seeks conversion into foreign exchange.

Hongkong's well-known printing firm of Chung Wah Book Co.—as is also outlined in this issue under "Industrial Reports"—is producing, on Nanking Govt. orders, new yuan notes by the hundreds of cases and shipping them to Canton for distribution to the public.

Taiwan currency was in strong demand here and in China as refugees from Nanking held territories try to get to Taiwan but cannot effect transfers except at the black market rate which last week was around 185 yuan per one Taiwan yen. The official rate has again been lowered to 370 yuan but is nominal only.

It is significant that within China as ruled by the Nanking regime there are black exchange rates for regional currencies and that domestic transfers are continually subject to wildest fluctuations of premiums and discounts, thus while at one time the Shanghai yuan was discounted in Canton by over 40%, recently it enjoyed even a premium of 10%.

Local business in spot notes and TT China increased considerably. It appears that the numerous control organisations and economic police in China are no longer properly functioning. A large number of secret police officers have fled and discontinued their contacts with their former masters, fearing retaliation when the new authorities arrive. Hongkong has proved a haven for such Nanking officials; quite a few have bought here houses and lead a good life with the spoils "earned" from their "control and supervisory" activities in Shanghai.

**Hongkong Market:—Highest & lowest rates of last week, in HK\$ per hundred yuan.**

	High	Low	Depreciation against official rate
yuan notes	11.00	7.80	58¾—70¾%
TT S'hai	9.30	7.60	65—71½%
TT Canton	9.60	7.00	64—73¾%

Sales in the native exchange market for the week under review:—TT Shanghai 65,050,000 yuan, TT and DD Canton 69 million, TT Swatow 45.9 m., TT Amoy 67.2 m. yuan. Spot notes sold during the week 16,150,000 yuan.

**Shanghai Market:—Highest & lowest rates of last week, in yuan:—**

	High	Low	Appreciation over official rate
gold per oz	3,800	2,900	190—280%
US note	71	58	190—255%
HK note	13.80	11.30	201.3—268%

Gold crosses from US\$50 to 60, HK\$ crosses from US\$18.52 to 20.83.

Exchange Certificate rates, per US\$1. between 50 to 57 yuan, remaining below black market rate by 10 to 15%.

In Canton H.K. notes sold from 9 to 13 yuan, and TT Hongkong quoted from 10.40 to 14.30 yuan.

## BANK NOTE MARKETS

The Siamese baht (tical) dropped here as a result of the conspicuous appreciation of sterling in Bangkok. Local highest & lowest rates per 100 baht were \$25½—25. Bangkok TT rates during last week were on New York 19.50/72, on London 61.30/45, on Hongkong 3.85/98, with sterling in the free market at a cross of 3.11/15. TT E.K. rates moved up because of Siamese demand for sterling but remained below the parity (1/3d. per HK\$ or HK\$16 per Pound Stg.) by 3 to 4% which is a significant development. Siamese import requirements, now more readily met by the British Board of Trade, have become insistent and many importers have found it necessary to reconvert their previously acquired funds in New York into TT London.

Philippine pesos were taken off the market at \$2.40½—2.36 (or. about 7%



## HONGKONG STOCK & SHARE MARKET

below the local rate for 50 US cents) while TT Manila is computed at about 3-4% below the local unofficial price for TT New York (in Manila a charge of 1% is made by banks for New York transfers).

Piastre rates further declined as speculators liquidated and others sold short in the forward market. Highest & lowest rates per 100 piastres \$8.37½-6.95. Sales in the local native market:—spot, officially 2,650,000, unofficially 3,820,000, and forward (mostly not for delivery but, similar to the gold forward market, for margin clearing) an amount of 13,840,000 piastres.

The position of the French franc is studied here with a view to determine the development of piastre and as gold and foreign exchange in Paris continue on the upgrade the conclusion is that piastre rates are bound to decline. Although political conditions in Indochina are more stable than last year and the Viet-minh regime has lost ground and much support of the Vietnamese, the continued successes of the Chinese Communists are expected to result, sooner or later, in a recrudescence of guerilla activity in Indochina with subsequent economic deterioration.

It was reported in the market that the Indochina Govt. will issue soon new currency notes at the same time recalling part or the whole of the present circulation at the rate of 6 piastres for one new Indochina dollar. The Banque de l'Indochine continues to function as the note issuing agent for the Govt. at Saigon pending the establishment there of a currency bureau.

Nica guilders sold during last week 278,000, at \$33.60, high, and \$2.80, low; Java guilders quoted lowest \$32.30 per 100.

The start of Dutch police action against the Republican regime at Jogjakarta, long anticipated, will at first inject a tone of uncertainty but should after some time lead to a firming up of the guilder rate. With Dutch control now established more solidly than before production is bound to increase and trade should therefore further improve, resulting in a still enhanced favourable trade balance.

Bank of England notes found eager buyers at rates of \$14.70 to 14.85 as these prices corresponded to a cross rate of US\$2.90/95 against business done in New York from US\$3.20 to 3.30 (equivalent to HK\$16.50/70).

The improvement which commenced last weekend continued this week, December 13 to December 17, and caused a reaction. The best gains were in Hongkong Banks to \$1850, Trams to 19½, Electrics to 37½, China Lights to 14 and Rights to 6.90, Cements to 39½, and Watsons to 59. Shanghai issues, too, recovered slightly; Ewos to 9½, Shanghai Lands to 3.70 and Shanghai Docks to 10½. However, hesitancy appeared to clog the advance, and some prices gave way towards the close, imparting an uncertain trend.

Volume showed an appreciable increase. Total sales reported amounted to 150,762 shares of an approximate value of \$2½ millions, an increase of \$1¼ millions compared with the preceding week. It was noted that transactions in Banks, Unions and Shanghai issues accounted for more than 50% of the \$2½ millions.

A feature was peace rumours emanating from the North. Each rumour created a demand for Banks, Unions and Shanghai stocks, which in turn injected more life to popular local issues. Peace hopes were not sustained. Each rumour was rebutted by reiteration of Chiang Kai-shek's adamancy to carry the fight through to the bitter end. Meanwhile, the Chinese situation continues to deteriorate with the Nationalists losing ground daily.

\* \* \* \*

### SILVER BUSINESS

Imports during last week were negligible and exports unusually small. Prices were stagnant at \$3.90/91 per tael, \$2.58/60 per dollar coin, \$1.90/91 per five 20 cents coins; London and New York remained at last week's levels but there was some hope that American buyers may soon raise the price over 70 US cents. Local native market transactions:—73,000 taels, \$17,000 and 142,000 worth of dollar and 20 cents coins respectively.

### PLATINUM BUSINESS

There was some better business reported from Canton where Japanese plate sold at HK\$420 per tael. Local demand is quiet with sellers offering London stamped metal at \$560 and Japanese platinum (ex-army stockpile) at 450 per tael. A small amount was taken up by the local goldsmith trade.

Observers opine that the current reaction is a natural sequence to the sagging market that was witnessed. The serious losses sustained in share prices the past months have curtailed buying power, which can now only be increased by attraction of idle capital. To do so confidence, which has been badly shaken, must be restored.

As was seen on October 20th it will not be difficult to revive confidence. This time, however, a categorical and unequivocal assurance by Government is needed that,

(1) It does not contemplate, nor will it interfere in any way whatsoever, to limit or restrict the earnings and/or dividend distribution of any Public Company, despite its retention of Emergency Powers, and

(2) There will be no increase in taxation; and, should additional revenue be required to balance next year's Budget it will not be sought through any other means than sale of goods other than food or meals.

It is clear the public is awaiting some such reassurance. If it be forthcoming a major advance in prices will be witnessed. Because, no more than a third of the decline is attributable to the Communist military successes in China. "Hush Hush" propositions are dangerous for, in a small town such as this, they give rise to damaging and harmful whispering propaganda. Fear that application of controls on the lines of the Telephone Ordinance is growing. Should this fear be allowed to grow unchecked if it stems from a baseless foundation?

\* \* \* \*

The Felix Ellis price index based on the closing prices of twelve active representative local stocks showed a net gain of 1.35 compared with the close of the preceding period. It reached a high of 135.49 and lost only a fraction of .09 at the close. Day-by-day his averages were: Dec. 13, 134.53, Dec. 14, 134.78; Dec. 15, 135.25; Dec. 16, 135.49; Dec. 17, 135.40.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12 and the low was 134.05 on December 10.

### Dividends

The SUN COMPANY has declared a dividend of 50 cents per share less tax payable on 21st December.

## HONGKONG UNOFFICIAL EXCHANGE RATES

(In H.K. dollars)

December	Gold per tael		Silver per tael	Per One Notes		Hundred Chinese Yuan		T.T. Canton		U.S. Dollar			
	High	Low		High	Low	High	Low	High	Low	Note	Draft	T.T. New York High	Low
13	299½	296¾	3.90	11.00	10.60	8.50	7.75	9.60	9.10	5.04	5.07	5.09	5.06¾
14	302	294	3.90	11.00	10.50	8.40	7.60	9.45	8.70	5.07	5.06	5.11	5.07
15	298	295	3.90	10.70	10.20	8.80	8.20	9.10	8.30	5.04	5.04	5.08	5.05½
16	296	290½	3.90	10.00	9.40	9.30	8.10	9.00	8.00	5.03	5.03	5.06½	5.04
17	295	293	3.91	9.40	9.10	8.70	8.20	8.35	7.70	5.04	5.03	5.06	5.05
18	296½	295¼	3.91	8.90	7.80	8.35	8.00	7.85	7.00	5.07	5.04	5.07	5.06½



The Board of the SINCERE COMPANY will recommend a dividend of 80 cents a share free of tax at the forthcoming Annual General Meeting.

#### Business Done

GOVT. LOANS: H.K. Govt. 4% Loan @ 101½.

BANKS: H.K. Bank @ 1800, 1790, 1800, 1820, 1810, 1830, 1840, 1850, 1840, 1850.

INSURANCE: Unions @ 735, 725, 735.

DOCKS & GODOWNS: N.P. Wharves @ 7½; China Providents @ 19, 19½, 19.35, 19, 19.35; H.K. Docks @ 27½; Shai Docks @ 9, 9.70, 10, 9.70, 10½, 10.

HOTELS & LANDS: H.K. Hotel @ 13.70, 13.80, 13.90; Lands @ 63, 63½, 64; Shai Lands @ 3, 3½, 3.70, 3½, 3.60, 3½, 3.65, 3.70, 3.60, 3.70, 3.65, 3.60, 3.55; Rumphreys X Rts. @ 14.30 and Rts.

@ 3, 3¼, 3.60.

UTILITIES: H.K. Trams @ 18½, 19, 19.25, 19½, 19¼, 19; China Lights old @ 14, 13.80, 14, 13.80, 13.70, 13.90, 14, 13.90; C. Lights Rts @ 6.10, 6.30, 6.40, 6.70, 6.75, 6.80, 6.90, 6.60, 6½, 6.40, 6½, 6.60, 6.75, 6.70, 6.60, 6.80, 6.85, 6.90, 6.85, 6.90, 6.80, 6.70, 6.60, 6½; H.K. Electrics @ 36½, 37, 37.25, 37½, 37¾, 37½; Telephones @ 29.75, 29½, 30, 30½, 30.75, 30.60.

INDUSTRIALS: Cald. Macg. (Ord.) @ 30; Cements @ 38, 38¼, 38½, 38.75, 39, 39½, 39; H.K. Ropes @ 19; Dairy Farm (Old) @ 40½, 41, 40½, 41, 41½ and (New) @ 39½, 40, 40½; Watsons Old @ 58, 58½, 59, 58½ and New @ 52.

MISCELLANEOUS: H.K. Construction Old @ 4½; Marsman (H.K.) @ 2.

COTTONS: Ewos @ 9.55, 9.75, 9.50, 9.30.

## SHANGHAI SHARES IN HONGKONG

Over the last 18 months, substantial business has been done on the local Stock Exchange in certain Shanghai shares—Ewos, Shanghai Lands and Shanghai Dockyards. It was started by some genuine enquiries for investment on the part of expatriated Shanghai interests. Once dealing was established, Shanghai quickly followed our lead and there was a steady supply from, principally, substantial concerns in Shanghai who were thus able to dispose of shares accumulated over the period of currency devaluation. The buyers (apart from an occasional jobber on the rise) were mainly arbitrageurs who bought here and resold in Shanghai, the demand in Shanghai coming from "value conservers" rather than from "flight capitalists." These latter operators when they intervened were usually of the order of "sellers at best" in Hongkong and there was thus a pronounced disparity between the two markets which increased the arbitrage profits.

When, later on, it was thought to be illegal to export local shares from Shanghai, the market went into the hands of the more venturesome, the disparity becoming greater. It is in fact doubtful whether the export ever was illegal but conditions in the Northern port were such as to make for the utmost caution in matters touching the currency regulations.

"Quotation" in Hongkong which was at first necessary, or at least highly desirable for audit considerations in the case of the larger firms, channelled the business to certain stocks which have naturally retained their popularity but large blocks of non quoted shares were placed here at very favourable rates during the period which succeeded the supposition of illegality as the arbitrageurs looked around for means to continue their operations. The business dropped off following cessation of publication of rates in Shanghai at mid-summer and more or less ceased in August. It has restarted in a fair way but at rates around fifty percent of those ruling earlier and is still mainly confined to the three old quoted stocks. The disparity with Shanghai is now quite small and with the easing of re-

gulations in the North it may be hoped that a healthy market is developing. There have been enquiries for non quoted stocks recently.

Apart from Rubber shares, there have been newly quoted in Hongkong:—Shanghai Loan, Shanghai Exploration, Shanghai Gas, Anglo-French Lands, Hongkew Wharves, and arrangements have been made to quote Wheelocks, Yangtze Finance and Asia Navigation.

Although Shanghai Loans and Explorations were popular speculative counters in Shanghai pre-war and are quite widely held, no real business has taken place in any of them. The Loan Company shares have a par value of \$2.00 and it has actually paid a dividend of \$1 without there being any interest and there are largish sellers at around three.

It seems obvious that (1) quotation alone will not bring dealings and (2) dividends and prospects will continue to have little influence whilst there are no investment buyers in Hongkong who are aware of the shares' potentialities, i.e. they have no "following." If it is considered that a market in Hongkong is desirable—and in some cases there is no doubt whatever of this desirability—it will be necessary for the sponsors of the companies concerned to do more than merely arrange for a quotation. Local investors would have to be interested through some form of "placement" of shares through the Stock Exchange and more details of the various companies' prospects and histories ought to be made available to the local investor.

#### DELETION OF H.K. PROHIBITED EXPORTS

As from December 8, the export of fresh apples and lambskins (karakuls) is no longer controlled. Previously these two articles were prohibited exports and could only be shipped out if an export licence by the Dept. S. T. & L. was secured. The supply of fresh apples has much improved of late thus making export control unnecessary. Lambskins are also easy to procure since some time.

## NATIVE PRODUCE MARKET IN HONGKONG

A relatively small group of Chinese importers, dealers, money changers and transport hong (firms), mostly natives of the city of Swatow and north-east Kwangtung, have long ago assumed an important position in Hongkong due to their close affiliation, organisation and astuteness. This group is commonly referred to here as the "Nam Pak Hong" and their shops and office premises are all located in one small area of the Chinese business city. In a few streets and lanes the "Nam Pak Hong" is directing a considerable volume of trade between Far Eastern countries (referred to always as "South Seas" by Chinese dealers) and China. In the early days of the Nam Pak Hong's activities only rice and sugar were dealt in but the range of native produce has much expanded with dealers of today assuming an increasing share in the China vegetable oil business. Almost any kind of China produce is being handled today by one or more firms in that district.

#### History and Business of the "Nam Pak Hong"

Bonham Street, West, in Hongkong is better known among the Chinese merchants as "Nam Pak Hong" (South-north trading) and has a history of its own. It is so called, because prior to the first World War, the goods most of the shops on that street dealt in, were imported either from the south or from the north.

Association of 80 years:—Small district though it is, it has a trade association, or guild with a history of eighty years, which is somewhat like the Chamber of Commerce in nature. Membership is also extended to other traders of the same line in other districts of the Colony. There are a total of over 120 members in the Association, which is run by an executive committee of 17 members with Mr. Yung Sai-fong as chairman of the committee. In the latter is vested the power to enforce all decisions passed by the general meeting, which is held once a year. In order to elect the new president and new members of the executive committee for the next year, the general assembly met on December 15.

Past and Present:—During the pre-war days the district was the headquarters of business men from Chaochow (Swatow), who were mostly engaged in the trade of rice and sugar imported from such tropical countries as Siam, Indo-China, and the Dutch East Indies. As it was then quite peaceful in the Far East, they enjoyed a boom in the trade. But after the Japanese had occupied Hongkong in 1941, they had to wind up their business with great losses. The return of peace did not quickly bring back the prosperity they had enjoyed. Owing to the export embargo on rice and sugar, enforced by the tropical countries, trade along this line, which prospered once, is now on the decline. In their place the trade of Chinese herb medicine begins to thrive; but anyhow the golden time for the



# SHIPPING REVIEW

## PROGRESS AND RECENT DEVELOPMENTS IN BRITAIN'S MERCHANT NAVY

One of the most important tasks of post-war reconstruction with which Britain is faced is the task of building up the Merchant Navy to enable it to meet the country's needs for sea transport and to allow it to play its full part as a world carrier. When War II broke out in 1939 the merchant fleet of the United Kingdom totalled 16,900,000 gross tons. This figure included drycargo ships and tankers of 500 gross tons and over. It constituted over 27 per cent. of the whole merchant tonnage of the world. Losses during World War II amounted to the immense figure of 11 million tons, a figure which was almost as great as the shipping losses of all the other allied countries put together. With these losses and other factors combined, the United Kingdom was left in August, 1945, with a Merchant Navy that totalled only some 12,800,000 gross tons, and this in spite of vast wartime shipping construction.

The figures for June of this year give some indication of the magnificent effort that has been made by shipowners and shipbuilders alike to rebuild the merchant fleet, for by the

middle of 1948 total tonnage was already back to some 15,750,000 gross tons. That is the over-all picture of Britain's shipping position in terms of tonnage figures, but these figures alone cannot possibly give the picture in full, for the simple reason that they do not take into account the age and condition of many of the existing vessels which must be replaced before long by new ships of modern design to enable her to take once again her full place as a carrier by sea.

### Reconversion of Troopships

Simultaneously with the work of building new tonnage, both for the British and for foreign flags, United Kingdom shipyards are pressing ahead with the work of reconverting for peacetime uses the passenger and passenger-cargo liners which were employed as troopships during the years of World War II. This reconversion work which was begun in the spring of 1946 with the release of the liner Queen Elizabeth from Government service, should be completed by the autumn of next year. Seventy vessels totalling a little over 1½ million tons will be dealt with altogether under this reconversion programme. This figure, however, cannot give anything like a complete idea of the reconversion problem because practically every ship that came through World War II stood in need of repair work or maintenance which had had to be deferred during her years of war service. In all, reconditioning settlements will probably be negotiated for between 1,300 and 1,400 vessels. These settlements will involve financial contributions by the Government totalling about 15 million pounds.

Current shipbuilding figures reveal that in June of this year there were 457 merchant ships totalling 2,243,703 gross tons in yards in Britain and Northern Ireland. 279 of these ships are destined for the British registry.

### Continued Partial Control over Shipping

The transition from war to peacetime running has involved considerable changes in the organisational side of the industry. The problem has been to find a means of relaxing the tight Governmental control of shipping which was essential in wartime and at the same time ensuring that the necessary tonnage is available to handle goods in accordance with the Government's import and export policy. It has not been found practicable at this stage to restore to the shipowning companies complete freedom from control, but an agreement has been worked out between Britain's Minister of Transport (Mr. Alfred Barnes) and the General Council of British Shipping, and is now in operation.

**Gloomy Prospects:**—"Nam Pak Hong" is on the whole facing a gloomy prospect. The causes are: first, China is fighting a civil war, which shuts out her big market from Hongkong trade; and secondly, nations such as Siam, Indo-China and Dutch East Indies are enforcing trade control, which restricts severely the goods to be imported thereto. This deals a heavy blow to the economic life of "Nam Pak Hong."

Under this agreement the shipowners are responsible for arranging among themselves that, within the limit of British shipping resources, the necessary tonnage is made available for meeting the needs of the Government's export and import plans. To give effect to this agreement the executive duties which are involved in the necessary distribution of tonnage have been transferred from the Ministry of Transport to a body established by the shipping industry and working under the control of the industry's Shipping Advisory and Allocation committee. This committee has under it two standing committees, one handling liners and the other dealing with tramp shipping. From this it might appear that British shipping has now been decontrolled and its handling passed back entirely into the hands of the shipowners. This is not in fact the case because all voyages are subject to obtaining the necessary licenses. Moreover, the Minister of Transport still has powers to direct ships into particular trades and he remains responsible to Parliament for the fulfilment of the Government shipping programmes. In a number of trades, too, control of freight rates is still in the hands of the Ministry of Transport.

### Social Changes in Seamen's Position

World War II, in which British shipping suffered so severely, brought about striking changes in the economic position of British merchant seamen. From a casual affair in which the seaman had to rely from voyage to voyage on getting a ship, seafaring has been changed into a profession which offers a degree of security that the sailor has never before known. The change was set on foot as far back as 1941 when a Government order was issued regulating both the freedom of an employer of seamen to discharge his employees and the freedom of seamen to leave their ships. Side by side with this wartime restriction, provision was made for continuity of employment for seamen, leave on pay and the payment of wages while awaiting a ship.

This measure, dictated by the needs of war, has now been expanded into a scheme administered by representatives of shipowners, with the advice of representatives of both officers and men, under which seamen can enter into two-year contracts either for general service at sea or with a particular shipping company. Where a seaman signs a general service contract he is liable to be assigned to any ship, belonging to any company, which is requiring a crew. If the contract is signed with a particular company the seaman remains continually employed by that company alone. Men who sign these contracts are classified as "established seafarers" and during the intervals between voyages, they receive in addition to normal unemployment benefit a special supplement.



tary allowance. Certain qualifications are necessary before a seaman is eligible to rank as an "established seafarer"; these include at least 12 months' sea service.

The approximate total of Merchant Navy manpower is now in the region of 138,000 men, and of these as many as 70 per cent. who are eligible as "established seafarers" will sign these service contracts. By the middle of this year nearly 50,000 contracts had been taken up.

In general Britain's Merchant Navy is not experiencing any shortage of men, although there is still some shortage in engineer officers and junior navigation officers and also in fully qualified deck ratings. At the end of the war a Release Scheme came into operation and, as was to be expected, many men who had served throughout the war left the Service. In the first half of 1947 the total number serving (excluding Asiatic seamen) fell to about 117,000. Over the last 12 months, however, there has been a steady increase, and many men who left the Merchant Navy under the Release Scheme are now back at sea again.

The question of the welfare of merchant seamen is receiving particular attention in a number of directions. One notable step is to be found in the tendency toward a greatly improved standard of crew accommodation, particularly in deep-sea ships built during and since World War II. These improvements include such items as improved ventilating, heating and lighting systems, and in many cases the provision of single or two-berth cabins for members of the crew. All deep-sea ships built during and since the war have been fitted with refrigeration, mess rooms and improved galleys and there have been many improvements in the furnishing of the crews' quarters, in washing arrangements and similar amenities.

## THE SUEZ CANAL

The Egyptian Minister of Commerce and Industry has announced in the Senate that the Suez Canal Company will have to comply with the new company law requirement that forty per cent. of the directors must be Egyptian nationals, but he has not stated whether this is merely a pious hope or whether steps will be taken to put the announcement into effect. From any point of view, the question is not simple, as under the Convention of 1866 which governs it, the company has a special international status, and apart from having the case taken to the French Courts it might finally have to go before the Hague International Court for a decision.

It was in 1875 that the Khedive sold to the British Government 176,602 shares in the company, at a cost of £4 million, which shares, incidentally, were valued in 1946 at £44¼ million,

and ever since the British have held a preponderant voice in its affairs, with ten directors out of thirty-two. This seems legitimate, as apart from being strategically important, the canal forms one of Great Britain's most important trade arteries, over 50% of trade with the Far East being carried in British vessels. Figures, however, speak clearer than words, so here are a few:—

*Vessels passing through the Canal in 1940.*

	No.	Net Tons
British .....	1,219	6,841,500
Others .....	1,200	5,872,500
	2,419	12,713,000

It will therefore be seen that without Great Britain, the use of the canal from a commercial point of view would be practically negligible. If the Egyptian legal requirement is pressed, a very delicate position could arise.

## EASIER PASSPORT FORMALITIES

Reuter's telegram that visas for travel between New Zealand and Denmark will be abolished as from January 1st, and that an agreement to this effect has already been signed by the two countries, will be warmly welcomed by the nationals concerned. Great Britain already has agreements with the United States and France to the same effect for transients, and Siam has set an example in the Far East. Now Pan-American Airways are reported to be endeavouring to get travellers' visas for other countries also eliminated. Their efforts in this direction will naturally affect their own nationals, but a successful outcome would be a factor towards adoption of the idea by other nations, who are still clinging to this clumsy and irritating impediment to free travel.

Great Britain would do well to hasten negotiations along the same lines. There are no figures available as to the loss involved should visas for transient visitors be abolished, but presumably the loss or gain under the present system is not questioned. Visas, at least in theory, were originally intended to act as a deterrent to undesirable wishing to enter any particular country; but, in practice, they have not always proved so successful, —present day villains invariably possessing a guileless demeanour, outwardly respectable appearance, and first-class credentials.

In this age of increasing air travel, it means that every few hours the traveller is compelled to go through all the passport formalities, although the stay-over may be of a few hours only and often with no possibility of

moving from the airport itself. All of which, to say the least, is a tedious process. But we would go even further then just advocate the abolition of the visa system, although that is undoubtedly the first and easiest step. When that is taken and the attendant difficulties overcome, medical inspection for transients, as well as tedious Customs examinations, will perhaps be tackled. Then will air travel grow even more in popularity and interest.

## SHIPPING IN JAPAN

Public opinion in Japan has recently shown much concern about the lack of shipping which contributes to the unfavourable balance of payment and many suggestions have been advanced to remedy this situation by the acquisition and building of a new mercantile fleet. American military personnel in leading position appear to be inclined to agree to Japanese proposals as it is obvious that it is in the last resort the American taxpayer who has to defray the bill of Japan if she should further sink "into the red".

Foreign trade is the only means by which Japan can continue to exist; and it requires no great stretch of imagination to see that the development of marine transportation is one of the essentials for the promotion of trade. There never has existed a great trading nation that did not possess a large mercantile fleet.

The proportion of Japanese shipping and transportation costs included in the total foreign trade volume is approximately 20 per cent for imports and four per cent for exports. Since transportation costs for the imports and exports during the fiscal year 1947, amounted to US\$107 million and \$7 million respectively, some \$114 million were paid to foreign shipping interests. If the goods had been carried in Japanese ships, a saving of more than one third of the adverse trade balance could have been effected. However, since Japan has in her possession hardly a single vessel capable of sailing the high seas, it is suggested that some "Liberty" ships be chartered and manned by the Japanese. The "Liberty" ships that have been abandoned as inefficient and are now lying idle in the United States are far better than most of the Japanese vessels now making up the post-war merchant fleet.

Japan's merchant fleet in pre-war days aggregated some 6 million gross tons, and was of considerable importance as an international carrier, whose earnings more than sufficed to cover the unfavourable balance resulting from excessive importation. The average earnings for the period 1934 through 1936 was ¥276 million; ¥105 million from imports; ¥85 million from exports; ¥60 million from foreign port-to-port cargo; and ¥23 million from passenger traffic and other services.



## HONGKONG SHIPPING REVIEW

Due to the maritime strike in the U.S. local shipping returns in November showed considerable declines in ocean tonnage and unloadings of ocean cargo. Only seven American ships called during November on Hongkong. On the other hand, river shipping showed again further increases with tonnage recording the highest figures for the year and cargo carried well maintained. Ocean passengers arriving and leaving were reduced against preceding months while passengers in river steamers showed record figures.

### Commercial Cargo

Commercial Cargo (ocean), excluding H.M. Forces and H.K. Govt. stores, in November:—

Cargo discharged was the lowest in 1948, against October decreased 14.95%, against Nov. 1947 decreased by 27.86%, and against 1948 monthly average (for 11 months) down by 27.33%.

Cargo loaded was the highest in 1948, reflecting stepped up exports to Far Eastern countries, Europe, Africa, the Near East; this record result is the more remarkable and encouraging as it was achieved in a month when the U.S. maritime strike was fully felt in the Colony and very few export shipments to America could be effected. November loadings were increased against the 1948 monthly average (11 months) by 14.4%.

Totals for first 11 months of 1948: cargo discharged 2,102,947 tons, loaded 944,502 tons. The monthly average of 1948 is higher than the 1947 averages, by 1.93% for cargo discharged, and by 20.85% for cargo loaded. These comparisons prove that imports during 1948

Deducting ¥125 million in costs, an average net profit of ¥151 million was realized each year. This covered the trade deficit of some ¥96 million and left some ¥60 to spare.

The War, however, practically annihilated the fleet; and although the remaining tonnage is placed at 1.5 million gross, 70 per cent consists of war-time "standard" vessels and the remainder is made up of superannuated or decrepit hulks. There are actually only 5 or 6 ships capable of undertaking long ocean voyages. New bottoms must therefore be built, but because of various difficulties progress is far from smooth. The shipbuilding program for the current fiscal year calls for the completion of 150,000 tons, but at this rate it will take years to build up to the 4 million ton limit which is to be imposed on Japan.

There is a way by which shipping earnings can be gained even though new ships fail to leave the slips. For instance, 7 of the Japanese tankers are shuttling to Persia, engaged in the transportation of GARIOA petroleum. For the carrying of such cargo as Haian iron ore, highly efficient ships are not necessary; ramshackle tubs can journey to Korea or China and even as far as Singapore.

were, by weight, about the same as in 1947 while exports, by weight, were considerably expanded.

Total ocean cargo carried for Jan. to Nov. 1948 was 3,047,449 tons which compares with total tonnage of ocean steamers, arriving and departing the same period of 14,495,532 tons.

During the current year the proportion of ocean cargo imported and exported changed considerably when compared with 1947. During the first 11 months of 1948 122.65% more cargo was discharged here than loaded, while in 1947 the respective percentage was 163.98%. Most ocean steamers leave Hongkong after discharging foreign goods with holds half or one third empty.

Cargo figures, highest & lowest, for 1947 and for 11 months of 1948:—

	Discharged	Loaded
1947:		
highest, March	249,662	Nov. 83,570
lowest, Sept.	143,527	Feb. 54,857
1948:		
highest, March	241,574	Nov. 98,299
lowest, Nov.	138,922	Oct. 57,988

### Cargo on River Steamers

In November, river steamers between Hongkong and Pearl River delta ports (mainly Canton and Macao) carried slightly less inward cargo while exports from here were, as far as tonnage is concerned, considerably increased.

River cargo, inward and outward (in tons):—

	November	October
discharged .....	8,533	8,865
loaded .....	7,392	5,570

Compared with the monthly average for the first 6 months of 1948, the November figures show declines of 8% while at the same time the tonnage of vessels strongly advanced, about 60% higher in Nov. than during the earlier part of this year when cargo, imported and exported exceeded present levels.

These figures reflect the unusually large employment of tonnage on the river runs, partly a result of excess tonnage and unprofitable conditions in China shipping, which had to be put to work in spite of declines in freight and severe competition with rate cutting unabated. Some recompensation was found in higher passenger transportation.

River cargo figures for Jan. to Nov. 1948:—

Inward 96,711, outward 82,694, a total of 179,405 tons.

Compared with the 1947 monthly averages—about 12,000 tons inward, 8,000 tons outward—the monthly averages of 1948 (first 11 months) show declines of 26.7% for inward, and 6% for outward cargo (this year's averages being 8,792 tons inward, and 7,517 outward).

While in 1948 imports from river ports, mainly Canton and Macao, as far as tonnage is concerned, exceeded exports to the same ports by 1,275 tons per average month, such excess in 1947 was around 4,000 tons.

### Ocean and River Tonnages and Passengers

Comparisons for shipping by flags for November cannot be attempted as they would give a distorted picture due to the absence of U.S. ships; while in normal months approx. one American ship calls here every day, last month recorded only 7 ships. British ships remain however in the same leading position as always while the Netherlands flag is firmly in third place (after the U.S. in normal months). Dutch shipping is steadily on the increase and there were in November no less than each 18 arrivals and sailings. The Danish flag is also becoming more conspicuous in Hongkong.

In river shipping there are only British and Chinese vessels on the run between the Colony and Canton river ports as well as Macao. British ships accounted in Nov. for 77.65% of the total, and Chinese vessels for 22.35%.

Ocean tonnage in November:—Against October decreases amounted to 12.31% for arrivals, and 22.27% for departures, a result of the U.S. maritime strike. Against the 1948 record month of May the decreases amounted to almost 30%.

River tonnage in November:—Record figures for the year showed increases over October (previous record month) of 4.7% for arrivals and 2.4% for departures.

Passengers, Ocean steamers:—decreases against October amounted to 10.96% for arrivals, and 19.53% for departures.

Passengers, River steamers:—Highest monthly figures were recorded for the year with 10.12% over arrivals, and 2.49% over departures of October.

Comparisons with 1947:—(Arrivals only):—

	Monthly averages	
	1947	1948
		(11 months)
ocean shipping	597,996½	660,829½
river "	71,707	118,702¼
Total .....	669,703½	779,531¾

In 1948 ocean shipping increased over 1947 by 10.51%, while river shipping increased by 65½%.

Total tonnage entering Hongkong in 1947:—ocean 7,175,959, river 860,490, a total of 8,036,449. For the first 11 months of 1948 ocean tonnage entering Hongkong aggregated 7,269,126, and river tonnage 1,305,726, a total of 8,574,852.

The tonnage figures of 1947 when compared with 1946 were almost 75% up but represented only about 50% of the average prewar tonnage entering the port of the Colony. In 1948, the monthly average of shipping entered compared with the prewar average is less than 60% of the figure before the war.

Ocean and river passengers in 1948, per average month, aggregated 118,680, against in 1947 a total of 98,218, thus showing this year an increase in passenger traffic of almost 21%.



## SHIPPING STATISTICS OF HONGKONG

### For The First Eleven Months of the Year 1948

#### TONNAGES AND PASSENGERS INWARD AND OUTWARD

During the first 11 months of 1948 the total tonnage of ocean ships aggregated 14,495,532, and the total tonnage of river ships amounted to 2,613,691, making a grand total of 17,109,223.

The largest arrival and departure of ocean tonnage was recorded in May. The largest inward and outward tonnage of river shipping was recorded in November.

The largest number of passengers on ocean ships arrived and departed in March. The largest number of river boat passengers arrived and left in November.

Total passengers, ocean, inward and outward: 473,029. river, inward and outward: 832,950, grand total passengers: 1,305,979.

MONTHS	OCEAN STEAMERS TONNAGE		RIVER STEAMERS TONNAGE		OCEAN PASSENGERS		RIVER PASSENGERS	
	IN	OUT	IN	OUT	IN	OUT	IN	OUT
January .. .. .	619,031	592,021	104,352	105,135	23,906	19,782	31,011	32,460
February .. .. .	543,329	557,534	95,228	96,246	13,880	11,190	29,900	31,100
March .. .. .	715,538	716,003	105,981	105,523	32,389	25,729	40,005	42,383
April .. .. .	651,324	608,514	123,037	123,127	28,088	20,911	37,847	44,687
May .. .. .	743,222	772,700	111,132	111,497	22,511	25,139	39,978	38,402
June .. .. .	690,510	711,658	105,690	102,430	18,115	16,917	34,706	32,962
July .. .. .	686,393	671,442	86,775	90,518	23,617	20,651	31,546	34,102
August .. .. .	734,692	736,436	124,808	124,892	25,163	19,046	37,944	35,544
September .. .. .	712,108	674,975	121,685	122,802	24,078	24,412	34,558	38,337
October .. .. .	624,977	667,962	159,766	160,955	23,479	18,409	41,843	48,372
November .. .. .	548,002	519,161	167,271	164,840	20,904	14,813	46,079	49,784
Total 11 months	7,269,126	7,226,406	1,305,726	1,307,965	256,030	216,999	404,817	428,133

#### HONGKONG SHIPPING REPORT FOR NOVEMBER

##### ARRIVALS

FLAG	Ocean Steamers		River Steamers		TOTAL		PASSEN- GERS RIVER STEAMERS	PASSEN- GERS OCEAN STEAMERS	PASSEN- GERS TOTAL
	No.	Tonnage	No.	Tonnage	No.	Tonnage			
British .....	93	255,106	197	129,887	290	384,993	5,212	30,463	40,760
American .....	7	31,079	—	—	7	31,079	—	48	48
Chinese .....	49	69,723	149	37,384	197	107,107	3,321	15,616	18,289
Danish .....	8	34,978	—	—	8	34,978	—	39	39
Dutch .....	18	73,251	—	—	18	73,251	—	6,063	6,063
French .....	1	270	—	—	1	270	—	1	1
Norwegian .....	16	28,797	—	—	16	28,797	—	1,700	1,700
Panamanian .....	9	28,013	—	—	9	28,013	—	3	3
Philippine .....	6	14,545	—	—	6	14,545	—	59	59
Portuguese .....	2	1,839	—	—	2	1,839	—	4	4
U.S.S.R. ....	2	2,076	—	—	2	2,076	—	—	—
Swedish .....	3	8,325	—	—	3	8,325	—	17	17
Total Foreign ...	121	292,896	146	37,384	269	330,280	3,321	15,616	26,223
Total .....	214	548,002	345	167,271	559	715,273	8,533	46,079	66,983

##### DEPARTURES

British .....	87	234,693	191	127,473	281	362,166	2,476	33,494	6,967	40,451
American .....	8	31,151	—	—	8	31,151	—	23	23	23
Chinese .....	47	73,639	150	37,367	197	111,006	4,914	16,290	2,417	18,707
Danish .....	8	24,829	—	—	8	24,829	—	32	32	32
Dutch .....	18	79,686	—	—	18	79,686	—	4,073	4,073	4,073
French .....	1	270	—	—	1	270	—	1	1	1
Norwegian .....	16	28,014	—	—	16	28,014	—	1,214	1,214	1,214
Panamanian .....	6	22,052	—	—	6	22,052	—	12	12	12
Philippine .....	6	12,856	—	—	6	12,856	—	46	46	46
Portuguese .....	3	3,350	—	—	3	3,350	—	24	24	24
U.S.S.R. ....	2	296	—	—	2	296	—	—	—	—
Swedish .....	5	8,325	—	—	3	8,325	—	14	14	14
Total Foreign ...	118	284,463	150	37,367	268	321,835	4,914	16,290	7,856	24,146
Total .....	205	519,161	344	164,840	549	684,001	7,392	49,784	14,813	64,597



## COMMERCIAL CARGOES

(OCEAN STEAMERS)

Month	Discharged	Year—1947		TOTAL	Month	Discharged	Year—1948		TOTAL
		Loaded					Loaded		
January .....	190,450	83,357	273,807	January .....	180,544	86,534	267,078		
February .....	184,771	54,857	239,628	February .....	202,807	76,542	279,349		
March .....	249,662	77,219	326,881	March .....	241,574	81,980	323,554		
April .....	166,681	70,573	237,254	April .....	224,985	68,215	293,200		
May .....	226,870	75,561	302,431	May .....	220,097	97,379	317,476		
June .....	161,393	65,529	226,922	June .....	189,681	93,571	283,252		
July .....	203,281	61,953	265,234	July .....	158,262	91,612	249,874		
August .....	177,964	62,307	240,271	August .....	222,296	94,220	316,516		
September .....	143,527	73,849	217,376	September .....	160,429	98,162	258,591		
October .....	194,688	74,289	268,977	October .....	163,350	57,988	221,338		
November .....	192,578	83,570	276,148	November .....	138,922	98,299	237,221		
December .....	158,760	69,498	228,258	December .....	—	—	—		
TOTAL .....	2,250,625	852,562	3,103,187		2,102,947	944,502	3,047,449		
MONTHLY AVERAGES ..	187,552	71,047	258,599		191,177	85,863.8	277,040.8		

## Bunker Coal and Oil

In November ocean and river ships bunkered the following quantities of coal and oil:—

	In tons	
	Coal	Oil
Ocean steamers .....	9,675	14,370
River " .....	1,309	949
Total .....	10,984	15,319

## TRADING JUNKS &amp; LAUNCHES

(in foreign trade under 60 tons)

November returns (in tons):—

	Inward	Outward
Cargo: Junks ..	27,341	7,729
Launches	326½	1,077½
Total Cargo ..	27,676½	8,806½
Vessels: Junks	112,989	121,422
Launches	4,690	4,807

Total Vessels . 117,679 126,229

Compared with October the returns for November show a substantial increase for exports of cargo from here to South China ports and Macao while imports from these ports into Hong-kong remained on the same level as in the previous month. Remarkably large was the cargo quantity loaded for abroad in launches which was the by far heaviest in this year.

The November figures reflect better sales of local merchandise to China but still remain behind the cargo figures of the earlier months of 1948.

Passengers by junk arriving here in November were counted at 2,078, and those who left were officially stated to be 7,086. It is taken for granted that passenger statistics cannot present an accurate picture of the traffic; over a period the arriving and departing passengers—mostly travelling traders and watchmen for cargo on board junks—should balance each other. There is hardly any real immigration or emigration going on by means of junks. The discrepancy between official statistics and supposed actual figures is explained by the fact that many junk owners carry excess passengers and, fearing prosecution and fines in the Colony,

usually land all or part of the passengers at such parts of the Island or Mainland where no control appears possible. The Marine Court has had very much to do with such offending junk owners and most of these people have been fined when apprehended but the fines are not considered a deterrent under present conditions when the carrying of excess passengers is very profitable although the safety of the travelling traders and the crew is endangered. Customary as it is, however, in China the overloading of ships with passengers and cargo does not arouse public indignation or cause prosecution.

tions by Chinese courts. Many disasters at sea have happened and thousands of Chinese had to pay with their lives for this criminal negligence on the part of Chinese shipowners but no improvement is noticeable. By increased watchfulness and more severe penalties to be imposed when junk owners are caught in the act of contravening local maritime regulations the present dangerous irregularity in junk passenger traffic might be reduced.

During November 885 junks, including 20 motor launches, were licensed for operation, and another 42 launches (of which 6 were motor boats) obtain-

JUNKS & LAUNCHES  
Traffic Figures for first eleven months of 1948

ARRIVALS			DEPARTURES		
Tonnage of Vessels		Junks	Tonnage of Vessels		Junks
Launches			Launches		
January .....	5,132	117,447	January .....	5,493	117,862
February .....	4,163	85,351	February .....	3,694	87,947
March .....	4,826	117,421	March .....	4,767	121,495
April .....	4,903	109,268	April .....	4,555	115,489
May .....	3,732	103,048	May .....	3,506	99,938
June .....	3,406	99,248	June .....	3,717	105,725
July .....	3,649	104,249	July .....	3,857	103,931
August .....	4,489	114,862	August .....	3,865	113,223
September .....	4,035	111,071	September .....	4,060	114,417
October .....	3,943	110,969	October .....	3,966	112,749
November .....	4,690	112,989	November .....	4,807	121,422
Total .....	51,794	1,303,344		46,196	1,214,198

  

Tonnage of Cargo		Junks	Tonnage of Cargo		Junks
Launches			Launches		
January .....	149½	37,426	January .....	428	11,206
February .....	38	25,008	February .....	421	10,531
March .....	142¼	31,994	March .....	402	6,797
April .....	162½	29,165	April .....	140½	4,937
May .....	278	26,963	May .....	336	4,691
June .....	65½	26,410	June .....	157	4,085
July .....	101	29,502	July .....	346	2,910
August .....	268	32,190	August .....	80	6,406
September .....	257½	30,354	September .....	291¾	3,423
October .....	193¼	27,859	October .....	461	5,311
November .....	326½	27,341	November .....	1,077½	7,729
Total .....	1,982	318,212		4,140¾	68,236



## HONGKONG INDUSTRIAL REPORT

Production in November was generally on a higher level than in October with better sales reports and overseas orders coming in. Employment of industrial labour was well maintained on the whole and weaving mills could report a higher number of hands in November than during many months past.

Skilled weavers are now in short supply in spite of the immigration of many Shanghai workers and trainers. The textile industry had a relatively prosperous month and is looking forward with confidence to further expansion of output and sales in foreign markets. Continued deterioration in China has given another welcome chance to local weavers and knitters as Shanghai and North China mills were unable to produce sufficiently to meet domestic market requirements and exports from Shanghai were, for the time being, practically suspended. As in the past the sales and low price policy of the Chinese Government owned mills combined with the high pressure export drive of the Chinese authorities (e.g. shipping piece goods out on consignment or long term payment conditions) caused depression in Hongkong's weaving and knitting mills, the recent change in the textile industrial position of China opened up new markets for local products. Japanese

competition is felt everywhere but as long as present exchange difficulties remain with Japan there appears no real danger of a reduction in overseas demand for locally made piece goods. However, in due course Japanese cotton piece goods will be pumped into all Far Eastern, Asiatic and African markets; but meanwhile the local industry should have fully adjusted itself to the future sales conditions, i.e. lower prices, higher quality, greater reliability, better service. Those mills here which cannot go with the times will go to the wall.

Notable advance in production and sales were reported from the enamelware, electric torches and wire nails factories. Orders from abroad have been coming in and enquiry is lively.

The four cotton spinning mills which at present are operating here sell their yarn to local weavers and knitters; the imported yarn price, as controlled by Dept. S.T. & I. is slightly lower than the locally spun product but weaving mills are anxious to take up Hongkong spun yarn as thus, when exporting to Empire countries, their textile goods enjoy lower duty rates on account of Empire Preferences granted. Otherwise, if Japanese, Chinese or Italian yarn is being used in the weaving of piece goods, no Empire Preference rates are enjoyed.

Well supplied with orders were hosiery makers and garment & shirt factories. A local hat manufacturer is also enjoying continued good business, and his sales are on the increase. The output of buttons by local factories has further advanced which was a result of the increased output in the local garments industry. Exports of Hongkong made cotton, linen, mixed embroidery and napery are brisk; this industry being entirely in the hands of women, usually from Swatow and its hinterland, there is much improvement possible if new capital will be invested and skilled female workers be brought to Hongkong.

Printers had a very good time in November and during the current month are doing capacity business. The Chinese Government, in urgent need of new bank notes, this time of the "gold yuan" variety, has placed big orders with a local printer and hundreds of cases of these yuan notes are shipped out from here to China for "relieving the demand of Chinese currency". When last August the local bank note printers were informed by the Chinese Govt. that there was no longer any need to produce bank notes, some 800 men had to be laid off (vide our issue of Sept. 8, page 228) but the general opinion was then held, which proved correct in the end, that the resumption of printing of new notes was only a question of short time. The stock of bank notes printed in U.K. and U.S.A. was quickly exhausted and all available printers, in China and Hongkong, had once again

to rush to the aid of the hard pressed Central Bank of China.

The Xmas and New Year season has caused a flood of orders which, in many cases, proved beyond the capacity of printers to cope with.

One of the most prosperous branches of local industry remains the furniture industry. As new houses and flats are springing up all over the Colony and new and old offices alike are equipped, the furniture makers are working overtime and reaping a golden harvest. Other branches of the building industry, such as the local brick works, the saw mills, cement works, rattan furniture makers, have equally enjoyed very prosperous conditions.

More optimistic reports are received from the rubber shoes and goods factory owners who, after losing much ground in the Philippines, found some recompensation in other Far Eastern and British African markets. Locally made rubber canvas shoes enjoy much popularity abroad and are one of the principal local manufactures. The British public has come to appreciate Hongkong rubber shoes many years before the war and there will be a large market when the U.K. import quota, as is hoped here, may soon be increased.

The large shipbuilding and repairing yards are fully occupied, having done most creditable work during the year; Chinese owned dockyards have had also a good period of working with construction of motor boats, junks and native craft and a large amount of repairs and rehabilitation.

Vacuum flask factories turn out ever better and more attractive models while prices have been reduced—approx. \$42, 100, 180, 200 and 240 per one dozen of flasks of respectively one, two, three, four and six pints contents—and interest abroad was increasingly stimulated. A promising industry is glass; a great variety of articles made of glass are turned out here and trial orders usually bring satisfactory results.

Better than average operation was reported from the needle, tin containers, Chinese medicines, match and paint industry, the latter developing to one of the Colony's leading and most appreciated branches of manufacturing.

Seasonal upswing in demand for foodstuffs, canned, preserved and in jars, as well as for gourmet powder, soy sauce, seasonings has been noticed in November; there was also higher production in the confectionery and the cigarette industry.

The manufacture of soap has recently become a major occupation and the variety of soaps produced as well as the improved quality is slowly showing gratifying results. Output of cosmetics mainly for Far Eastern consumers has also advanced.

ed licences. The majority of licences issued were renewals for fishing junks.

Comparisons between 1947 and the first 11 months of 1948:—

Year 1947 Jan./Nov. 1948		
Tonnage of Junk & Launches		
Arrivals .....	1,208,781	1,355,138
Departures .....	1,203,089	1,260,394
Total Vessels ..	2,411,870	2,615,532
Tonnage of Cargo		
Arrivals .....	299,795	320,194
Departures .....	245,788	72,376
Total Cargo ...	545,583	392,570
Monthly averages of Cargo		
Arrivals .....	24,983	29,108
Departures .....	20,482	6,579
Total, average month .....	45,465	35,687

The tonnage of junks and launches in 1948 has increased over 1947 by 18½%. The tonnage of cargo for exports from Hongkong has heavily declined by 67.88% but the tonnage of cargo of imports into Hongkong increased this year by 16.51% over 1947.

The cargo figures reveal larger China produce shipments to Hongkong in 1948 while exports from here to China almost collapsed, another proof of the trade debacle of China, the dropping purchasing power of the people and the severity of import embargoes enforced by the Nanking government.



## Registered Factories in Hongkong

At the end of November the total number of industrial establishments which had received registration certificates from Government amounted to 1,163 while applications for registration as at Nov. 30, totalled 1,335.

During November 22 factory owners applied for registration certificates which will, after due inspection as to workers' health and safety provisions, be granted. The new applications came from:—3 metal ware factories, 7 printing firms, 2 aircraft service and overhauling companies, each one joss stick, quarry, vermicelli, electric bulbs, engineering, goods packing, dyeing, foundry, salt grinding and beancurd manufacturer.

APPLICATIONS for registration certificates for the period January 1, 1946 to November 30, 1948:—

## Island Mainland Total

Received .....	393	1187	1580
Cancelled .....	49	196	245
	344	991	1335
Applications received during November ...	7	15	22
cancelled in November ..	3	7	10

## REGISTRATION CERTIFICATES issued during the period January 1, 1946 to November 30, 1948:—

## Island Mainland Total

	298	365	1163
Certificates issued during Nov. . .	4	13	17

## Employment Position

At the end of September 1948 the total registered industrial labour force was 59,709 persons of which 36,747 men and 22,962 women. During the months of October and November the number of industrial workers, as far as employed in registered factories, has increased over the September figure. In addition to the above number of 59,709 workers there are an estimated 10,000 workers employed in local factories and workshops which are exempt from the legal provision to apply for registration certificate (lack of mechanical equipment and employment of less than 10 persons) and a further 7 to 8,000 workers are estimated to be employed in industrial establishments which so far have not been granted certificates and therefore are not officially registered.

The largest employer of industrial labour in Hongkong is now the textile

industry followed by the shipbuilding and repairing yards (which previously held the first place). Next in importance as an employer is the metal industry—and within this group the manufacturers of metalware and torches rank first—followed by the food, drink and tobacco industry. The fifth largest employer is the rubber goods industry. Next come the Utilities (as far as labour in their maintenance and repair shops is concerned). The 7th to 10th positions are held by the printing, chemicals, clothing and engineering industries.

## INDUSTRIAL EXHIBITION OF CHINESE MANUFACTURERS

An Exhibition of Chinese Products, sponsored by the Chinese Manufacturers' Union, is at present taking place in the Colony in which about 150 local factories participate. The previous five exhibitions, on a smaller scale than the present one, were held in 1938, 1939, February and December 1940, and in 1941 just when the Japanese invasion started. Participating exhibitors in 1938 were only 40 and in December 1940 around 120.

The Exhibition comprises a good survey of the activities of local Chinese manufacturers whose aim is to gain more buyers in Far Eastern countries, the Near East and Africa; a better local off-take of their products is also desired. Some articles, like preserved ginger, tinned native foodstuffs and soy sauce, may also find improved sales in Europe and the U.S.

In order to reach foreign buyers Hongkong's Chinese manufacturers will have to display their products at the forthcoming British Industries Fair. The local Exhibition, which is being organised on a modest scale and mainly attracts the local populace, is not expected to result in any large increase of orders from overseas.

H.E. the Governor, in his address at the opening of the Exhibition of Chinese Products last week in Kowloon, made an extremely important point, which cannot be too strongly emphasised, when he said that "the various industries must make themselves as efficient as possible; the inefficient will go to the wall."

Industrial efficiency is unquestionably the pivot on which the success of China's exports rest. Although a comparatively new member of the modern industrial world, the manufacturers in Hongkong have the advantage in that their plants and machinery in large part must, by reason of their recent installation, be of the latest types. Their disadvantage lies in the fact that they are forced to break into markets already fairly well supplied.

The present exhibition—the first since the war—is the largest yet organised by the Manufacturers' Union, and is an indication of the progress already made in the variety of articles displayed as well as the increasing number of

## DISTRIBUTION OF NUMBER OF EMPLOYEES IN REGISTERED AND RECORDED FACTORIES OF HONGKONG

INDUSTRY	Total Employees March, 1948	% of Grand Total	Total Employees September, 1948	% of Grand Total
<b>Group I. (Metal &amp; Chemical Industries)</b>				
Engineering .....	1,135	1.88	1,223	2.05
Construction and Repair of Vehicles ..	50	.09	317	.53
Shipbuilding and Ship Repairing ...	11,366	18.75	9,908	16.59
Other Metal Industries .....	5,794	9.56	9,630	16.13
Chemicals, Paints, Oils, etc. ....	1,556	2.57	1,803	3.02
<b>Group II. (Basic Industries)</b>				
Public Utilities (Electric Light, Gas Works, Tramways, Telephone) ...	2,943	4.86	2,976	4.98
<b>Group III. (Other Manufacturing Industries and Services)</b>				
Food, Drink and Tobacco .....	4,975	8.21	5,405	9.05
Textile Industries .....	13,172	21.71	13,485	22.58
Leather Industries .....	157	.25	127	.21
Clothing Industries .....	1,528	2.52	1,593	2.67
Woodworking, etc. ....	578	.95	618	1.04
Paper and Paper Board .....	455	.75	242	.41
Cardboard Boxes, Paper Bags, etc. .	24	.04	23	.04
Stationery Requisites (not Paper) ....	100	.16	120	.20
Printing, Publishing and Bookbinding, etc. ....	3,569	5.88	2,819	4.72
Bricks, Tiles, Pipes, etc. ....	501	.82	613	1.03
Glass and Glass Bottles .....	1,006	1.65	997	1.67
Other Manufacturing Industries .....	11,452	18.88	6,620	11.09
<b>Group III. (Non Manufacturing Industries and Services)</b>				
Laundries .....	224	.36	332	.56
Motion Pictures, Film Studio .....	—	—	33	.05
Miscellaneous .....	65	.11	825	1.38
<b>Totals:</b>	<b>60,650</b>	<b>100.00</b>	<b>59,709</b>	<b>100.00</b>

(Continued on page 668)



# HONGKONG INDUSTRIAL LABOUR

INDUSTRY	No. of Factories	Employees		Average No. of Employees per factory
		M.	F.	
<b>Group I. (Metal &amp; Chemical Industries)</b>				
<b>Engineering:</b>				
Engineering .....	74	1,165	40	1,205
Electrical Engineering:				
Radio Sets (Repairing & Maintenance) .....	2	11	7	18
<b>Construction &amp; Repair of Vehicles:</b>				
Motor Vehicles, Cycles & Aircraft: Garage .....	2	317	—	317
<b>Shipbuilding &amp; Ship Repairing:</b>				
Shipbuilders .....	11	9,689	219	9,908
<b>Other Metal Industries:</b>				
Stove, Grate, Pipe etc. & General Iron-founding:				
Electric Apparatus, Cable etc.:	18	510	48	558
Electric Bulbs for hand torches	12	128	233	361
Electric Hand Torch Batteries	11	129	303	432
<b>Other Metal Industries:</b>				
Aluminium Wares .....	2	45	14	59
Electro Plating .....	17	236	81	317
Enamel Wares .....	4	762	150	912
Metal Wares .....	96	2,271	1,406	3,677
Needles .....	1	164	165	319
Silver Refinery .....	1	—	—	—
Tin Cans .....	13	263	116	379
Torches, electric, hand .....	18	699	1,897	2,596
Wolfram Ore Refinery .....	2	17	3	20
<b>Chemicals, Paints, Oils, etc.:</b>				
<b>CHEMICALS:</b>				
Chemicals .....	4	50	17	67
Dye Stuffs .....	5	23	5	28
Manganese .....	3	23	5	28
Medicines .....	12	85	325	410
Zinc Oxide Manufacture (Zinc Powder) .....	1	1	—	1
<b>PAINT, VARNISH, ETC.:</b>				
Paint .....	9	164	91	255
<b>OIL, GREASE, SOAP, INK, ETC.:</b>				
Camphor (Oil & Powder) .....	2	13	—	13
Glue Gelatine .....	1	9	3	12
Kerosene Refinery .....	1	8	—	8
Oil Installation .....	3	706	124	730
Peppermint Oil .....	1	5	5	5
Soap .....	4	58	88	146
<b>Group II. (Basic Industries)</b>				
Public Utilities (Electric Lights, Gas Works, Tramways, Telephone) .....	8	2,968	8	2,376
<b>Group III. (Other Manufacturing Industries &amp; Services)</b>				
<b>Food, Drink &amp; Tobacco:</b>				
GRAIN MILLING:				
Flour & Rice Mill .....	23	210	14	224
BREAD, BISCUITS, ETC.:				
Biscuits & Confectionery .....	17	422	259	681
<b>Other Food Industries:</b>				
Bean Curd .....	4	76	12	88
Canned Goods .....	6	135	63	198
Cassia Sorting .....	3	48	114	162
Cold Storage .....	3	267	7	274
Ginger & Fruits (Preserved) .....	10	123	690	813
Gourmet Powder .....	3	125	54	179
Ice .....	5	58	12	70
Jam Making .....	1	7	—	7
Ment (Dried) .....	3	51	21	72
Noodles .....	1	11	4	15
Peanut Oil .....	7	234	13	247
Soy & Sauce .....	7	316	153	469
Sugar .....	2	19	2	21
<b>DRINK INDUSTRIES:</b>				
Beverages .....	7	296	108	404
Aerated Water .....	1	14	23	37
Distillery .....	3	158	58	216
<b>TOBACCO, CIGARETTES, ETC.:</b>				
Tobacco .....	3	340	888	1,228
<b>Textile Industries:</b>				
<b>COTTON SPINNING:</b>				
Cotton Mill .....	3	386	475	861
<b>COTTON WEAVING:</b>				
Cotton (Teasing) .....	6	27	13	40
Handkerchiefs .....	1	5	14	19
Knitting .....	182	1,518	3,369	4,827
Shoe Laces .....	3	16	39	55
Tapes .....	2	25	9	34
Thread .....	3	45	59	104
* Weaving (Cotton) .....	152	1,686	4,398	6,084
<b>SILK, RAYON, NYLON, ETC.:</b>				
Weaving (Silk) .....	6	395	242	637
<b>HOSIERY:</b>				
Hosiery .....	15	51	280	331
<b>HEMP, ROPE, CORD, ETC.:</b>				
Grass Mats .....	1	16	8	24
Gunny Bags .....	1	21	10	31
Rope Works .....	1	95	27	122
Twine .....	2	13	21	34
<b>OTHER TEXTILES:</b>				
Cloth (Calendering) .....	8	76	14	90
<b>TEXTILE BLEACHING, DYEING, ETC.:</b>				
Dyeing .....	12	191	1	192
<b>Group III. (Other Manufacturing Industries &amp; Services)</b>				
<b>Food, Drink &amp; Tobacco:</b>				
GRAIN MILLING:				
Flour & Rice Mill .....	23	210	14	224
BREAD, BISCUITS, ETC.:				
Biscuits & Confectionery .....	17	422	259	681
<b>Other Food Industries:</b>				
Bean Curd .....	4	76	12	88
Canned Goods .....	6	135	63	198
Cassia Sorting .....	3	48	114	162
Cold Storage .....	3	267	7	274
Ginger & Fruits (Preserved) .....	10	123	690	813
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Dyeing .....	12	191	1	192



INDUSTRY	No. of Factories	Employees		Average No. of Employees per factory
		M.	F.	
Group III. (Other Manufacturing Industries & Services)—(Contd.)				
LEATHER, LEATHER GOODS & FUR : TANNING CURRYING, ETC. : Tannery .....	5	127	—	25.4
<b>Clothing Industries :</b>				
SHIRTS, COLLARS, UNDERCLOTHING, ETC. : Garments & Shirts .....	25	241	382	623
HATS & CAPS : Hats .....	10	156	384	540
<b>OTHER DRESS INDUSTRIES :</b>				
Buttons .....	10	121	133	254
Embroidery .....	2	—	15	15
<b>BOOTS, SHOES, ETC. :</b>				
Shoes .....	3	138	23	161
<b>Woodworking, etc. :</b>				
FURNITURE : Furniture .....	3	79	2	81
Sawmilling : Saw Mills .....	29	304	29	333
Wood Boxes & Cases, ETC. : Camphor Wood Trunks .....	7	204	—	204
<b>Paper, Printing, etc. :</b>				
PAPER & PAPER BOARD : Paper (Dyeing) .....	2	87	26	113
Paper Cards .....	4	44	86	129
<b>CARD BOXES, PAPER BAGS, ETC. :</b>				
Paper Boxes .....	2	16	7	23
<b>STATIONERY REQUISITES (NOT PAPER) :</b>				
Abacus Manufacture .....	1	6	—	6
Pencils .....	4	14	95	109
Printing Ink .....	1	5	—	5
<b>PRINTING, PUBLISHING &amp; BOOK- BINDING, ETC. :</b>				
Newspapers .....	8	636	13	649
Printing .....	76	1,841	309	2,155
Types .....	1	13	2	15
<b>Brick, Tile, Pipe, etc. :</b>				
Brick Works .....	4	344	98	442
Cement Tiles .....	2	46	8	54
Cement Blocks .....	3	90	27	117
<b>Glass &amp; Glass Bottles :</b>				
GLASS MANUFACTURE : Glass .....	19	554	119	673
Mirrors .....	6	69	—	69
<b>GLASS BOTTLES :</b> Vacuum Flasks .....	4	149	106	255
<b>Group III. (Non-Manufacturing Industries and Services)</b>				
LAUNDRY & DRY CLEANING : Laundry .....	15	279	53	332
<b>MOTION PICTURES :</b>				
Motion Pictures, Film Studio....	1	33	—	33
<b>MISCELLANEOUS :</b>				
Bone Grinding .....	2	20	2	22
Construction Work .....	1	700	50	750
Grinding of semi-precious stones	1	8	—	8
Marble Works (Cutting & Polishing marble) .....	1	34	11	45
Totals : .....	1,203	36,747	22,962	59,709
<b>Group III. (Other Manufacturing Industries &amp; Services)—(Contd.)</b>				
CEMENT, WHITING, ETC. : Cement Works .....	1	290	18	308
Gypsum Powder .....	1	8	—	8
<b>RUBBER :</b>				
Rubber Tyre .....	4	26	—	26
Rubber Tyre Soles .....	2	29	—	29
Rubber Wares .....	49	1,098	2,511	3,609
<b>BRUSHES &amp; BROOMS :</b>				
Tooth Brushes .....	3	42	5	47
<b>TOYS &amp; GAMES :</b>				
Mahjong Sets .....	1	22	—	22
Toys .....	2	9	47	56
<b>OTHER INDUSTRIES :</b>				
Bakelite Wares .....	4	44	58	102
Cork (Bottles) .....	1	5	10	15
Face Powder .....	1	24	8	32
Feather (sorting and cleaning)	5	91	178	269
Fibre Travelling Cases .....	1	9	—	9
Fire Crackers .....	1	28	288	316
Fishing Nets .....	1	5	20	25
Ivory Wares .....	1	12	12	24
Joss Sticks .....	2	18	192	210
Matches .....	4	291	648	939
Mosquito Sticks .....	3	23	36	59
Perfumery .....	8	82	97	179
Plastic Wares .....	2	16	—	16
Polishing Compound .....	1	2	—	2
Rattan .....	6	207	50	257
Umbrella Making .....	2	18	55	73
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manufacturing plants in and around Hongkong.

It has so frequently been pointed out that Hongkong's trade is entrepot that it is trite to repeat it here; but it is evident that with the stability offered by Hongkong, which cannot be found in China, there is every possibility that exports from the Colony will rise in volume and importance, granted that they can compete in quality and price or to quote Sir Alexander once more, that "they compare favourably with products of other countries."

It is regrettable that there is little if any display of those types of articles at the Exhibition for which Chinese workmen are renowned — curios, lacquer, furniture, etc. The absence of silk, while regretted, is understandable. There is, however, a point which the Chinese manufacturer would do well to consider—design and colour. The Chinese, as a nation, have always been masters in the art of design, but this may very easily be lost under the stress of modern manufacture, unless the danger is recognised and dealt with. It is a strange turn of the wheel that whereas the West, which as a whole suffered acutely from bad design in the past, is again stressing the value of form and colour, the local manufacturer appears to be inclined to disregard its importance though it is most essential where foreign markets are concerned.

Manufactured goods displayed by local factories at the stalls on the Exhibition ground include the following:—

Cotton and silk piece goods, hosiery, garments, thread, cotton yarn (spun by 3 mills, the Wyler Textiles, Nan-yang Cotton Mill and the Peninsula Spinners); umbrellas; hats; buttons.

Rubber shoes, tyres, toys; Stationery (incl. pencils); Matches; Leather goods; Cigarettes; Paints & lacquer.

Soap and cosmetics (face powder, lotions, perfumery, tooth brushes); Chinese and Western style medicines.

Food and drink: aerated water, confectionery and biscuits, vermicelli, canned goods (vegetable, fruit, fish, meat), soy sauce, gourmet powder, preserved ginger (in syrup, candied).

Metal products and hardware: electric torches (and batteries), hurricane lanterns (kerosene burning), oil lamps, steel locks and brass hinges, needles, tableware, wrist watch bands, charcoal and electric irons, aluminium pots and pans, wire nails and tacks, rivets, steel window frames and general hardware. Furthermore, printing machines and weaving automatic looms and spinning machines. For the war industry there are gas masks and steel helmets on display which have been manufactured by local factories; also pick axes and shovels. The building construction industry can also now obtain local supplies of re-inforced steel bars, round & square, channels & angles.

Bakelite ware: lampholders, switches, plugs, sockets, telephone apparatus, and general electric accessories.

Plastic goods: there are as yet only 2 factories in this line producing dishes (of polystyrene) and various household articles, frames for mirrors

and pictures, some toys.

Glass ware: bulbs for lamps and torches, laboratory glassware, mirror, household articles, Vacuum flasks and containers.

Enamel ware: household and kitchen utensils, signboards; crucibles, fire brick, fire proof clay.

A remarkably large percentage of local factories is now owned by people from Shanghai and their share in Hongkong's manufacturing is on the increase. The Exhibition ground is reflecting this situation very audibly as the Shanghai dialect is frequently heard.

\* \* \* \*

## CHINA LIGHT & POWER CO. LTD.

The capacity of the China Light & Power Co. Ltd., the sole supplier of electric power in Kowloon and the New Territories, has been at the end of their business year, September 30, 1948, from turbines 30,500 K.W. and from boilers 460,000 lbs per hour. Meanwhile, the capacity has increased to 50,500 K.W. as a result of the working of the new turbine, No. 8, which produces 20,000 K.W. A new boiler, No. 13, is expected to be ready for operation by Sept. 1949 when the output should amount to 660,000 lbs per hour.

During the business year of the Company considerable expansion was noticed. Consumers increased by 3,800. The operation of more factories required heavier power loads but all demands were met by the Company. During the year Oct. 1947 to Sept. 1948, 385 factories were connected to the Company's mains. Against this 106 factories closed down, which leaves a nett total of 279 factories connected. This nett figure is made up as follows:

Plating, 13; engineering, 25; knitting, 64; sawmills, 32; torch light and bulb, 9; metal, 34; building and construction, 12; leather 9; dyeing 7; printing 8; sundry small factories, 66; total 279.

Rates of the Company will be decreased from January 1, 1949. Rates at present and in 1947 as well as the new rates are as follows:—(per unit in cents):—

	May 1947	Jan. 1948	Jan. 1949
lighting . . .	71.28	40	37
power . . . .	27.72	18	16

Reductions are granted for bulk consumers and the New Territories. The ratio of lighting to power of the Company is 30:70, i.e. for every unit of lighting 2.33 units of power are sold. The nett average yield of the Company from lighting and power is 22.88c.

The Company's policy in 1948 has been one of conversion to oil firing. The new boiler is equipped for oil firing

and during the course of the year, Nos. 7 and 8 boilers were likewise converted. Although these boilers were installed in 1924, they have been fully reconditioned and converted to oil firing and they are at present operating satisfactorily. The oil conversion was done with locally manufactured equipment designed and fitted by local engineers. During the course of the year coal purchases have been negligible, being due to the maintenance of the efficiency of the Company's plant on oil firing. No. 12 Boiler was converted to dual firing and it has been on range for various periods during the year with satisfactory results.

The Distribution Department has been faced with a great deal of work due to the growth of the demand in various areas, and the need to replace obsolescent mains and plant. The replacement of overhead mains, meters and meter boards, and the overhauling of service connections, has proceeded apace. The improvement in the Company's distribution system during the business year ending Sept. 30, has been considerable. With the influx of the new cotton spinning factories and the establishment of various other new factories, plans to meet the Company's obligations as envisaged before the war have had to undergo considerable revision. This has meant a great deal of forethought and planning, and the changes have been further complicated by the difficulty in obtaining reasonable delivery dates for transformers, switchgear and cables from England.

During the course of the year a great deal of technical advice has been given to consumers, particularly to the larger consumers where such questions as industrial layout were involved.

Consequent upon the Company's replacement, a new sub-station is being built at Kwa Wan to deal with the heavy industrial load in that area and a second substation will be built very shortly at the corner of Prince Edward Road and Sai Yee Street to cope with the additional load anticipated due to the large housing schemes which are at present proceeding. Plans have also been prepared for a new sub-station building, to replace the temporary sub-station, at Kau Pui Shek, the original main building having been demolished during the Japanese occupation.

It is anticipated that the present distribution expansion programme will take approximately one year to eighteen months to complete. On completion, however, the Company will be in a position to deal with the heavy industrial demand.

An agreement was reached with the Hongkong & Whampoa Dock Co. Ltd., regarding the change of frequency from 60 to 50 cycles for the Kowloon Docks. All the necessary equipment, including switchgear and transformers necessary for the changeover, has been ordered, but in many cases delivery is not expected before 1950. In view of the amount of work involved and the



slow delivery of equipment, completion is not anticipated under 2—2½ years.

This change of frequency is being carried out under directions issued by Government prior to the war, whereby electricity supply was to be unified on 50 cycles. The delay in the changeover of Docks was entirely due to the intervention of hostilities.

The Meter Section is still energetically endeavouring to stop thefts of current and other similar efforts to defraud the Company. As a consequence of this, the Company's losses have been kept to a minimum.

Thefts of conductors, etc., have practically died out. The only exception during the year was the minor pilferage of street lighting equipment, mostly condensers and small fuses, which have caused some trouble.

In view of the necessity of maintaining street lighting at a high standard of efficiency, energetic steps have been taken in conjunction with the Police, with the object of minimising these thefts.

Some difficulty was occasioned during the year, owing to the delay in the delivery of meters; but the position has now improved and steps have been taken to ensure that no similar difficulties will arise in the future.

A considerable amount of work has been done to bring street lighting up to a satisfactory standard. Government asked the Company to carry out further extensions to the street lighting. It is to be hoped that all the main streets in Kowloon will shortly be adequately illuminated.

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## SOY BEANS AND THE SOY SAUCE

Soy Sauce is a dark brown salty liquid produced from soy bean through a process of fermentation with mold and yeast. It is a complicated organic compound containing a high percentage of Amino-Acids and Vitamins widely used as a seasoning throughout the Orient to improve the flavour and palatability of the diet and also as aid in the assimilation of food. Records of the use of this relish date back to the time before the Christian era. During recent years Soy Sauce has gradually gained a foothold among the Europeans and it is still enjoying increasing popularity especially with frequenters of Chinese restaurants in Europe and America. Nearly every variety of meat, fish, or vegetable is strengthened by the touch of it. It is equally effective for roasting, boiling and broiling. It is salty and allowance for the salt content must be made when it is used in cooking.

Soy bean seed is used as a food as well as for its oil. Soy sauce related substances such as the various sauces and the mold-fermented bean cheeses among Chinese foodstuffs, are highly relished in the Orient. Occidentals who became acquainted with the seasonings of Oriental cookery readily adapted soy sauce and other soy bean products to their home dishes.

## PHILIPPINE ECONOMIC REPORTS

### EXPORT SHIPMENTS FROM THE PHILIPPINES

Total exports for August of this year were 107,825 tons, carried by 84 vessels, as against 146,851 tons for August last year, carried by 72 vessels.

Principal commodities during August, as compared to last year, were:

	1948	1947
Cigars	3 tons	1 ton
Desiccated coconut	8,801 "	5,775 tons
Coconut oil	3,095 "	1,033 "
Copra	37,114 "	86,822 "
Copra cake	2,215 "	5,299 "
Hemp	32,402 bales	84,032 bales
Logs and lumber	2,893,169 board feet	1,003,409 board feet
Ores	15,541 tons	20,500 tons
Rope	362 "	278 "
Sugar	15,105 "	— "
Tobacco	—	531 tons

Movements of vessels and exports maintained their usual volume during September, with 81 vessels lifting 107,936 tons.

The decline in the total exports as compared with last year, however, still continued, caused principally by curtailed copra shipments. During September last year, 77 vessels lifted 144,227 tons of export cargo.

Principal commodities exported during September, 1948, as compared with September, 1947, were:

	1948	1947
Cigars	8 tons	1 ton
Desiccated coconut	8,375 "	7,130 tons
Coconut oil	2,708 "	1,249 "
Copra	43,397 "	86,763 "
Copra cake	3,781 "	2,814 "
Hemp	32,868 bales	70,678 bales
Logs and lumber	2,371,249 board	764,780 board
Ores	17,186 tons	22,670 tons
Rope	184 "	508 "
Sugar	3,149 "	— "
Tobacco	5 "	175 tons

### UNITED STATES ASSISTANCE TO THE PHILIPPINES

While actual totals must await the final auditing of the accounts of the different agencies, the most accurate estimates available today of United States Government expenditures in the Philippines are as follows:—

	million pesos
For the year 1945 .....	880
For the year 1946 .....	672
For the year 1947 .....	797

When to this total of 2,349,000,000 pesos is added another 200,000,000 as the estimated fair value of war surplus materials turned over to the Philippine Government (actual procurement cost to United States Government, P,1,079,000,000), the result is a grand total of P,2,549,000,000 or US\$1,274,500,000 of United States Government expenditures in various forms in the Philippines during the years 1945 through 1947.

There are still more United States Government expenditures coming which are estimated as follows:—

	million pesos
For the year 1948 .....	670
For the year 1949 .....	484
For the year 1950 .....	441
For the year 1951 .....	169
Total .....	1,764

By the end of 1951, post-war United States Government expenditures in the Philippines are estimated to exceed four billion, 300 million pesos or 2 billion 150 million U.S. dollars. After 1951 there is every reason to assume that United States Government payments to veterans and their beneficiaries will continue for many years at a yearly rate of between 100,000,000 and 150,000,000 pesos.



### AVIATION IN PHILIPPINES & TOURIST PROMOTION

Philippine Air Lines inaugurated a new air service between Hongkong and the United States on October 6, 1948. The airline has been granted the air-parcel franchise by the Hongkong Government and the dispatch of parcel-post is conducted twice a week.

The United States inaugurated the International Air-Parcel Post on September 1 this year and Hongkong is the first foreign government in the world to reciprocate in the international scheme by arranging a return service. It is expected that the same parcel-post service will be inaugurated between the Philippines and the United States, which will boost further the trade between the two countries.

The Philippine Government has initiated a series of diplomatic negotiations on embassy level in Washington, D. C. with a view to concluding bilateral air agreements with countries on the Manila-London route of the Philippine Air Lines. These countries are Siam, India, Pakistan, Egypt, Saudi Arabia, and Greece. They are important links in Philippine Air Lines Manila-European route and the proposed treaties will stabilize PAL's globe-girdling operations. At present PAL planes on the London flights stop at cities of these countries only for refueling.

Pending the conclusion of these air agreements, however, PAL is seeking interim agreements with the governments of the countries concerned to be able to engage in international traffic in passengers, mail, and cargo along the intermediate points covered by its route.

#### Development of Tourism

As aviation has brought an improved and more frequent service to the Philippines, it shows what tremendous opportunities exist for the development of tourist travel.

The Philippines have an enviable geographic position being at the cross-

roads of the Orient. Up to the present there has not been any concerted effort to stimulate interest on the part of the travelling public to pause on their journey in the Philippines. Few people making their first trip to the Orient realize that Baguio, the summer capital, offers the finest climatic contrast to Manila and is still only 45 minutes away by air. The beauties of Pagsanjan Falls, of Tagaytay and other scenic splendors present a potential financial income worth millions of dollars to the Philippines.

In being realistic about developing such a potential, the first consideration would require setting up of an organization possibly called the Philippine Tourist Service. Its main objective would be the promotion of interest in the Philippines. Secondly, this organization would encourage the establishment of fine hotels and the proper development of scenic beauties, such as Pagsanjan Falls. Thirdly, it would publish pamphlets, booklets, maps, and the like to be made available to tourists throughout the world. The Philippine consulates would offer an excellent medium for the dispensing of such information. In addition, the transportation companies, such as airline and steamship companies, stand ready and willing to offer the facilities of their innumerable offices to place this information in the hands of the public.

#### PHILIPPINE REAL ESTATE MARKET

Real estate sales in Manila for September, 1948, totalled P.4,757,580, represented by 298 transactions. Of this total 95% of the number of sales and 65% of the peso value, involved transactions of P.50,000 and below.

The mortgage market shows a smaller amount of institutional funds available. Even the Reconstruction Finance Corporation is generally using its loanable mortgage funds for small home loans. Major building projects are still hard to finance, due to the low limit allowed to domestic savings banks. RFC officials anticipate that when the Central Bank is established they will have abundant mortgage

funds to be released from the excess monetary reserves.

Republic Act No. 273, approved last June, permits insurance companies to make loans on unimproved urban land. So far none of the companies appear to have formulated policies on the subject.

### ELECTRIC POWER SITUATION IN MANILA

Electric power sales of the Manila Electric Company (Meralco), in Kilowatt hours:—

	1948	1947
January	27,301,000	17,543,000
February	26,021,000	17,503,000
March	26,951,000	20,140,000
April	26,871,000	19,601,000
May	28,294,000	19,241,000
June	29,216,000	17,893,000
July	31,143,000	22,593,000
August	31,993,000	23,358,000
September	32,012,000	23,122,000
October	33,914,000	24,755,000
November		24,502,000
December		25,725,000
Total		255,981,000

The tabulation above shows the continuous rapid increase in demand for electricity. In October, output was 221% of the 1941 average output, and requests for additional power still continue to pour in. The effects of this increased demand on the Manila Electric Company system, may bring about a power shortage in 1949.

Comparisons of 1948 and 1947 output figures follow:

		Increase Over Previous Year KWH	%
September	8,890,000	27.7	
October	9,159,000	27.	
Ten months ended 10/31/48	87,962,000	42.7	

At the present time the generating capacity is double that of 1941, but the demand is very nearly double.

### VALUE OF BUILDING CONSTRUCTION IN MANILA

— in Philippine Pesos —

MONTH	1939	1940	1947	1948
January	463,430	1,124,550	3,645,970	6,571,660
February	1,063,050	1,025,920	3,270,150	6,827,005
March	662,840	671,120	3,398,910	7,498,560
April	1,029,310	962,420	8,295,640	7,370,292
May	1,139,560	740,510	5,564,870	8,570,410
June	809,670	542,730	5,898,580	10,217,840
July	495,910	357,680	9,875,435	7,771,487
August	622,050	661,860	7,428,260	7,568,950
September	554,570	590,380	7,770,310	7,095,860
October	645,310	738,700	6,747,240	
November	461,580	485,100	7,088,283	
December	1,105,970	333,490	4,924,320	
Total	9,053,250	8,234,460	73,907,248	
Monthly Average	754,438	686,205	6,158,937	

### REAL ESTATE SALES IN MANILA

— in Philippine Pesos —

	1940	1947	1948
January	6,004,145	6,030,012	3,644,734
February	918,873	7,217,317	3,879,633
March	1,415,246	7,166,866	4,243,719
April	883,267	8,611,076	5,021,023
May	403,866	4,618,181	3,129,799
June	542,187	3,988,560	8,019,246
July	1,324,861	4,097,183	5,146,529
August	1,905,828	5,627,572	6,192,876
September	1,141,114	7,437,213	4,737,581
October	993,103	6,083,486	
November	938,416	4,177,054	
December	1,504,004	3,205,584	
Total	17,974,844	68,260,104	44,015,210



## THE SITUATION IN JAPAN

(From Our Own Correspondent)

During the past week, events have happened of such importance that they may exert strong pressure upon the two major political parties.

In a previous issue (November 24) we touched upon the scandals that led to the fall of the Ashida Cabinet. Mr. Shimokoe's indictment in connection with the Showa Electric Industry Company scandal, closely touches Mr. Hitoshi Ashida, whose son-in-law he is and former private secretary. The real shock to the Democratic Party, therefore is, where did Mr. Hitoshi Ashida obtain the funds which he used for the purpose of becoming Prime Minister?

The Socialist Party, however, have also received a shock through the detention of Mr. Nagae, the late Minister of Agriculture and Forestry and one of their leaders. At the moment he is on bail in connection with a scandal concerning the Toyo Flour Mill Company.

It is felt that under these circumstances, neither the Democratic Party nor the Socialist Party, who are in opposition, could maintain their present strength in the event of a general election. At the present time, confusion exists in the minds of people as to whether the Government is Democratic-Liberal or whether it is Democratic or Socialist. The opposition, fearing a dissolution of the Diet and a possible defeat in a general election, are refraining to press a vote of lack of confidence in the Government, which they would probably succeed in passing as things stand. This explains the curious anomaly that no one at present knows which party is actually in power.

Should the peak load continue the current upward trend, the demand will exceed the supply perhaps as early as the middle of 1949. There is no possibility of increasing the source of supply until September, 1950. Should there be delays in the delivery of materials, this date may be even further postponed.

Meralco, with the assistance of the National Power Corporation, has done and is doing all it can to continue its pre-war standard of service. However, the demands of the public are so much greater than in 1941 that it will be impossible to keep capacity ahead of demand until the new Rockwell power station is completed and until other materials, principally for substations, come forward more quickly than at present.

The situation has been caused by the total destruction of Manila's generating stations and much of its transmission and distribution systems early in 1945. The efforts of the National Power Corporation and the U.S. Army coupled with Meralco output have produced a capacity of 88,000 K.W. compared with 45,500 K.W. in 1941.

### Textile Production

Textile manufacturers have reached the sound conclusion that an increase in production does not always mean increased exports, although an essential step in the development of exports. Owing to a revision in the official pricing of rayon and staple fibre, manufacturers are now mainly concerned in rationalising their industry and in improving the quality of their goods. It is hoped that this will lead to an important development in exports, especially under the agreement with the Sterling area. In this connection it is interesting to know that the production of cotton fabrics reached its highest point in September since the end of the war.

### Chemical Products

A decline in chemical products, including fertilizers, rayon, etc., takes place every winter, due to a shortage of electricity. Hydro-electric power is the main source of supply in Japan, owing to a deficiency in coal, and with the freezing of water with the cold weather, supplies are cut down. Notwithstanding the difficulty, the miners are said to be intending to strike for higher pay. It is clear, therefore, that the most important step the Government can take in the reconstruction of the country is to get the coal mines working on a sound basis.

### The Future of Tea

With regard to the tea trade, several factors including the reduction in the official price, were in its favour and seemed to indicate good prospects. It is now felt, however, that the high cost of production and a shortage of capital have been responsible for a failure in exports. The following export figures will give the position:

	1946		1947
U.S.A.	7,941,240 lbs.		2,839,290 lbs.
Canada	194,058 "		392,490 "
Africa	1,512,612 "		4,693,026 "

Total 9,647,910 lbs. 7,924,806 lbs.

In 1948, up to August, 2,600,000 lbs. and during the recent period 600,000 lbs. had been exported. At the beginning of the year it was anticipated that orders from Africa would amount to 4,800,000 lbs., but this hope did not materialise. The future of tea is dark, unless several changes take place, such as, for instance, a considerable fall in the price.

### Financial Conditions

The total revenue for the first half of 1948 is Yen 89,942 million, or 95 per cent. of the schedule. This is good compared with the same period last year, as it amounts to 21 per cent. of the 1948-49 fiscal year budget (Yen 114,462 million), whereas last year the revenue came to 14 per cent. of the 1947-48 fiscal budget (Yen 214,256 million). But Government expenditure is in arrears, and merchants have consequently been troubled by a lack of funds, which has led to trade being dull.

## FINANCIAL, INDUSTRIAL & COMMERCIAL DEVELOPMENTS IN JAPAN

The national budget for the fiscal year 1948-49 having finally been decided, the second session of the Diet was concluded on July 5th. During the 209 days session, the post-war economic rehabilitation plan was clarified to some extent, through the expectation of economic assistance from foreign countries, and the prospects for establishment of national economic order.

The budget for the current year was decided at 400 billion yen for the general account and 1,000 billion yen for special accounts. Expenditure in the general account includes 100 billion yen for war termination expenses and reparation disposal expenses, 60 billion for price adjustment, commodity and price adjustment administration expenses, 50 billion for economic rehabilitation, and 40 billion for public works. 29.1 billion yen and 6 billion yen are transferred from the general account to the Railway Special Account and the Communication Special Account respectively, in order to cover the deficit caused by the lesser advance of freight rates and communication charges.

Tax revenue is estimated at 260 billion yen, almost twofold of the 130 billion of the previous year, represent-

ing 64% of the total revenue. A partial revision was made in the taxation system to reduce income tax, corporation tax, etc., and to increase indirect taxes. It is problematical, however, whether the expected alleviation of burden on national life through the reduction of tax rates will be realised, in view of the successive raising of official prices, freight charges, and the heavier indirect taxes. Furthermore, it is also questionable whether the budget can maintain its soundness or not. The time-lag between expenditure and revenue, and the problem of additional budgets will be significant.

The currency inflation which showed a stagnant development on account of the forced tax collection, restrained government disbursements and the restriction of loans, has again tended to accelerate the note issue of the Bank of Japan. Expansion in the notes issued was brought about principally by the increase of loans of the Bank of Japan and government payments.

Although the note issue during the first half of this year registered a smaller increase of 11.4 million yen as against 40 billion for the same period of last year and 80 billion for the latter half of the previous year, future development of the currency



circulation is anticipated, in view of the improvement of government payments under the new budget and the higher level of prices and wages. The maintenance of a sound budget and strict control over loans of the Bank of Japan, the Reconstruction Finance Bank, etc. will be the most important measures for checking inflation. These financial measures will not prove effective, and will even cause some confusion, if the unsoundness in industrial fields caused by the accelerated inflation is left alone.

Commodity and stock prices show a rather stagnant movement. Especially the stock market continued to be inactive owing to tight money conditions, the disposition of a large volume of shares held by the government, and the successive issue of new shares for capital increase. Although the price movement was rather stagnant, some upward tendency has been witnessed through higher prices of staple foods. The price movement has entered into a new stage, as a result of the enforcement of the new price structure, which was decided on the basis of 110 times of the pre-war level as against 65 times decided in July last year, the revised level being higher by 70% than the former. The effect of the new price structure on price movement was still uncertain, though further development is anticipated.

In accordance with the new price structure, the standard salary of government employees was revised to 3,700 yen. The government employees' labour union opposing this decision requested a 5,200 yen basis and submitted the problem to the mediation of the Central Labour Committee. The minimum standard of living of the nation must first be secured for the attainment of post-war economic rehabilitation, and for this purpose, the assurance of supply of daily necessities is indispensable. If this supply is secured with assistance from foreign countries, rehabilitation will materialise through checking the unfavourable spiral of prices and wages, and improving business rationalisation. The government plan for the increase of rationing of staple food is significant from this viewpoint.

Deliveries of staple food from farmers continue favourably. The government purchase of wheat and potatoes which started from June, showed satisfactory results and in several prefectures the original quota was fulfilled. The rationing of staple food has been favourable, on account of the improvement of deliveries and the distribution of imported food. A delay in rationing of staple food occurred in several districts in the between-season period. The future prospect for the food situation is not so bright, in view of the fact that the supply and demand situation of staple food during the current crop year is anticipated to show a deficit amounting to 6 million koku, which must be covered by imports, even though a

## THE JAPANESE BUDGET FOR THE 1948/49 FISCAL YEAR

The budget for the fiscal year 1948-49 (April to March) was approved on July 4th, the total revenue being 1,534,067 million yen and expenditure 1,438,400 million yen, the revenue and expenditure of the general account totalling 414,462 million yen.

According to the Public Finance Law, the budget must be submitted and approved by the Diet every year before the fiscal year begins. However in view of the development of inflation, the decision on the budget for the current year was difficult, and discussions continued from the end of last year as to wage level, price adjustment, administrative readjustment, resources to meet an increase of expenditure, and the Cabinet decided the budget draft on May 10th. After several revisions were made, the revised draft was submitted to the Diet on July 2nd and approved two days later.

As regards the revenue of general account, tax revenue amounted to 262,724 million yen or 63.38% of the total revenues. In order to ensure this huge tax collection and to adjust and rationalize the people's tax burden, the taxation system was partially revised. The essential points of the tax revision are as follows:—

### (1) Revision of income tax:

#### Basic abatement family allowance

10% increase of production is realized.

Industrial production has shown an upward tendency, but the increase has been small and slow. The advance was brought about by imports of raw materials. Output of coal turned favourable, but the actual figure was smaller than that of the planned volume of 36 million tons. The State control of coal mining is preparing to be enforced for first class mines. Iron and steel production also showed an upward trend, and several blast furnaces were reopened. Real recovery in the iron and steel industry will depend upon imports of iron ore, fuel oil and coal. The activity of the textile industry also depends upon future imports of raw materials.

The import of raw materials is the most essential factor for the future development of industrial production.

The export trade has not yet been favourable. In spite of the enlargement of private foreign trade, and the extension of non-dollar markets, the one-sided balance of trade with the United States which was unfavourable to Japan, is still very pronounced.

Economic rehabilitation is the fundamental problem for the improvement of foreign trade, but it is also undeniable that foreign trade organisation and the method of settling accounts has many possibilities for further improvement. From this point of view, the effects of the revolving funds, the barter system, and settlement in sterling are hopeful, and, at the same time, a prompt decision on the exchange rate is necessary.

and special abatement on wage income are extended; tax rates are reduced.

### (2) Corporation tax:

Capital levy is abolished; tax rates on excess profits are reduced; rates on foreign corporation's income are reduced to the same rates as domestic company's income.

### (4) Creation of transaction tax:

By this revision, the tax revenue of 262,714 million yen is composed of direct taxes of 162,062 million yen (61.68%) and indirect taxes of 100,652 million.

However, if the profit of the Monopoly Bureau of 95,701 million is added, indirect taxes will amount to 196,353 million yen or 54.78% of the tax revenue (including profits of the Monopoly Bureau) and 47.87% of total revenue. Therefore, the expected benefit to the working class due to the reduction of income tax will be diminished by this increase of indirect taxes.

In expectation of a 15% reduction of government workers, personnel expenses were calculated on the basis of the new wage standard (3,731 yen per month), and material expenses on the basis of the new official prices which were raised by 70% of former price level. The principal items of expenditure in the general account are; "war termination" including "return of allied properties" and "removal of reparations," amounting to 100,600 million yen or 24.27% of the total expenditure; expenditure to facilitate and promote economic rehabilitation, 174,026 million yen, including 53,522 million yen for "economic rehabilitation," 43,517 million yen for "public works," 51,500 million yen for "price adjustment," 18,573 million yen for "government investment," accounting for 41.98% of the total expenditure.

The budget for the fiscal year 1948-49 seems well balanced, the same can be said of the budget for the last fiscal year, though it registered a deficit of 78,003 million yen, principally due to delay in tax collection and deficits in special accounts particularly in Government Railways and communications. Tax revenue developed favourably owing to the tax payment campaign inaugurated at the end of the fiscal year, but the revenue deficit in the Government Railways and communications had to be covered by loans and borrowings of 13,744 million yen and 4,429 million yen respectively. Of this 9,786 million yen represented red letter loans. It is, therefore, problematical whether these special accounts in the budget for the fiscal year 1948-49 will be well-balanced or not. In order to ensure the balance in Government enterprises, railway freight rates and communication charges were raised to 255% and 400% respectively. In spite of these increases a deficit in the two accounts will not be covered without loans and borrowing totalling 35,378 million yen and the transfer from general account of 37,224 million yen. In all special accounts, loans and borrowed money amount to 37,295 million yen and other short term loans to 34,098 million yen. Thus, the balance of the budget has a



weak point in the special accounts, and even the general account is not very reassuring.

The net total of the budget corresponds to about 42% of the national income in this fiscal year. The burden on both enterprises and households will, thus, be heavy under present inflationary circumstances. However, as to the economic effect of government expenditure, 16.5% of the expenditure for the fiscal accounts is destined for productive purposes and 74.5% for consumption purchasing power will be increased, but funds for industrial production will be less.

The budget will turn out not to be well-balanced. Moreover, rationality of the new wage standard and of official prices is doubtful, which will make necessary additional budgets. The average wage in industry was higher than 3,500 yen already in April and this level was taken as the standard of the new salary basis. If additional budgets amount to such an enormous sum as in the last fiscal year, the budget balance will be broken and currency inflation accelerated. Control of public finance may be said as one of the most important problems in Japanese national economy, and on its success or failure depends Japanese economic rehabilitation.

#### Budget for General Account (1948-49)

	Yen million	%
<b>Revenue</b>		
Taxes and stamp revenue .....	267,704	64.59
Revenue from government enterprises & properties .....	100,662	24.28
Miscellaneous .....	42,762	10.31
Surplus from the previous fiscal year .....	3,332	0.80
Total .....	414,462	100.00
<b>Expenditure</b>		
Imperial household .....	58	0.01
Diet .....	1,036	0.24
Court of Justice .....	1,972	0.47
Administration .....	19,860	4.79
Justice and police .....	9,586	2.31
Education & culture .....	18,896	4.55
Social & labour .....	13,309	3.21
Sanitary & health .....	4,820	1.16
Economic rehabilitation .....	53,522	12.91
Public works .....	43,517	10.49
Price adjustment .....	51,500	12.42
Commodities and price adjustment administration expenses .....	6,914	1.66
Common administration expenses .....	19,087	4.60
Local finance .....	40,310	9.87
Pensions and annuities .....	771	0.18
Government investment .....	18,573	4.48
Debt service .....	7,522	1.81
War termination .....	92,600	22.34
Return of allied properties .....	1,606	0.38
Removal of reparations .....	6,400	1.54
Reserve fund .....	2,000	0.48
Total .....	414,462	100.00

## MALAYS, INDIANS & CHINESE AND TERRORISM IN MALAYA

Dato' Onn bin Jaafar, Prime Minister of Johore and the acknowledged political leader of the Malay people, explained to the British people during his recent stay in London that terrorism in Malaya, inspired and led by Chinese immigrants, has nothing to do with the Malays. As President of the United Malays' National Organisation, the only political party of first rank in the country, Dato' Onn stated that more than 99 per cent of the peoples of Malaya are behind the Government in its campaign to hunt down and smash the bandit gangs operating from the jungle. By arson, murder and fear, they seek to disrupt the economic and political structure of Malaya, declaring that their movement is a revolt against alien tyrants. Their Communist friends overseas, and particularly their apologists in Britain and Australia, hammer on this view. They say the jungle guerillas are leading a struggle for independence similar to that of the Republicans in Indonesia.

But the facts in Malaya are incontrovertible. The armed terrorists who strike by day or night against peaceful citizens of all races, who burn down rubber factories and sabotage communications represent less than one-half of one per cent of the peoples of Malaya.

It is estimated that the terrorists, together with their sympathisers and those detained under the Emergency Regulations proclaimed four months ago, number only 10,000 out of a total population of 4,862,000.

As the Commissioner General in South-east Asia, Mr. Malcolm MacDonald, who is now in London, said recently:—"The disturbers of the Malayan peace are comparatively small groups of violent individuals who are not representative of the people of the country."

The armed terrorist forces are estimated to number about 5,000. Communists comprise one-third of the fighting arm, the remainder being professional bandits or thugs, together with a percentage of men press-ganged into

service, most of them illiterate labourers.

It is estimated that 95 per cent of the armed terrorists are Chinese, of whom more than three quarters are alien born. The number of Malays operating with them is less than 200, most of these are malcontents of Indonesian origin. The Indian subversive elements are negligible, not more than 50. Of 343 terrorists killed or captured in four months 332 were Chinese, six Malays, three Indians and two Siamese. Most of the Chinese were immigrants with no loyalty to Malaya. In the State of Perak, of 54 Chinese terrorists captured, 24 admitted that they were immigrants from China. The other 30 claimed birth in Malaya. By so doing, they could avoid deportation. From subsequent checks made, police authorities found many were born overseas.

#### Malays' Opposition

Who is opposed to these terrorists perpetrating violence by gun and ambush? An effective answer comes from the indigenous Malay people, who from the beginning of the outbreak of terror in June have shown unmistakable hostility towards the Communists.

The Malays responded in a remarkable fashion to the Government call for aid in enforcing law and order. In the past four months, more than 22,000 Malays enrolled as Special Constables. Their duties were to guard rubber estates, tin mines, vulnerable points and kampongs against attack. Another 7,700 Malays joined the Auxiliary Police as unpaid volunteers, ready to be called upon for army duty by the Police at any time. Two thousand Malays have enlisted in the Malay Regiment, of which two battalions are in active operation against terrorists in the jungle. Recruiting still goes on, and a third battalion is now being formed. 640 Malays have joined the Royal Air Force Regiment. This consists of four squadrons of 160 men each. Another squadron is now being raised. In addition, during the past four months, 1,350 Malays have signed on with the regular police force. The total number of Malays in the regular police is now 9,414. Altogether, there are approximately 42,000 Malays taking an active part in the offensive drive against the terrorists. This figure represents one Malay in every 500 of the Malay population.

And the Malays are pressing for further strength. Their leaders have asked in the Legislative Council for the Malay Volunteer Force to be revived; and Malaya newspapers want the Malay Regiment expanded to a full division; and the kampongs (villages) have taken steps to form local defence corps on the line of the Home Guards in Britain during the war.

#### Indians' Loyalty

In the Indian community, it is estimated that more than half the population of 534,000 is locally born. Their immediate allegiance is to Malaya, the land of their birth or adoption.

Indian leaders, whether representing the Government of India, the Malayan Indian Congress or the newly formed

#### Taxes and Stamp Revenues

	1948-49	1947-48
	Budget	Budget
<b>Taxes</b>		
Income tax .....	146,371	69,044
Temporary income tax .....	500	9,000
Corporation tax .....	13,000	6,300
Liquor tax .....	45,776	23,870
Soft drink tax .....	1,647	415
Sugar tax .....	362	1,180
Textiles tax .....	8,060	2,117
Commodities tax .....	17,508	7,845
Transaction tax .....	21,400	—
Travel tax .....	2,389	294
Entertainment tax .....	3,035	6,518
Other taxes .....	2,666	7,738
Total .....	262,714	134,321
Stamps .....	4,900	990
Profit of Monopoly Bureau .....	95,701	51,265
Grand total ..	363,405	186,576



Malayan Indian Association, have urged their compatriots to stand behind the Government. One lawyer-member of the Legislative Council, Mr. R. Ramani, declared, "If we fail in our duty to Malaya, we fail in our duty to India."

Despite their smaller number, Indians have joined the forces. There are 1,190 Indians in the Regular Police Force, 1,700 in the Special Constabulary and 797 in the Auxiliary Police.

Perhaps the strongest evidence of the quiet but forceful attitude of the Indian community comes from the great body of 152,000 Tamils who provide two-thirds of the labour on Malaya's rubber estates. Despite the depredations of the terrorists and their assaults on the lives and properties of rubber workers, whether Indian tappers, Chinese contractors or European managers, the Tamil labourers are working at full strength throughout Malaya.

When many of their union leaders fled into the jungle, taking with them books and funds, the Indian trade union members were left stranded. Today, the Indian unions, both on rubber estates and in industry, are steadily being reformed without Communist guidance.

The Indians are also carrying out a vital role in three Government departments—Railways, Telecommunications and Public Works. Altogether they number 32,000. In spite of the daily danger of terror striking indiscriminately from the jungle, Indian labourers

go on building roads, repairing telephone lines cut by the bandits, and manning the trains and freight cars.

### The Chinese Situation

The situation of Chinese is more invidious. Because most of the terrorists are alien born Chinese, it has been more dangerous for the law-abiding members of the Chinese community to show their hostility actively or openly. By far the greatest numbers of murders have been those of Chinese employers, school teachers, contractors and labourers known to be cooperating with the Government.

Of the Chinese population of 18,000,000, it is estimated that half are locally born. The Chinese, with centuries of peaceful disposition behind him and with an innate dislike of violence, wishes only to be left alone to carry on his normal livelihood.

In particular, danger comes closest to those Chinese who live near areas where terrorists operate. Some of them are undoubtedly in sympathy with the guerillas in the jungle, because they are related to them. Through good or evil, the Chinese ties of family stand. Many others, however, have no wish to be involved at all. They therefore take the line of least resistance, and for fear of reprisals, conduct themselves with apparent indifference.

Behind this passive attitude, much goes on. More and more information comes from Chinese villagers. One

newspaper said of this, "When so many of their own leaders are silent, this needs courage of a high order."

The attitude of the Chinese has been publicly stated by their overseas leaders. On the celebration of the Double Tenth Anniversary, the Chinese Consul General, Mr. Li Chin, urged all Chinese to cooperate with the Government against what he called "the dark forces of Malaya." Mr. Tan Kwok Chor of the Kuomintang Overseas Office, has recently returned to Malaya from Nan-king where he spent three months reporting on the terrorist situation. He said the Chinese Government wanted the Chinese in Malaya to cooperate with the Malayan authorities in restoring peace and order as quickly as possible.

Perhaps the truest voice of the Chinese was that of the late Dr. Ong Chong Keng of Penang, who was slaughtered by terrorists while on an errand of medical mercy by night. Dr. Ong represented the 250,000 Straits-born Chinese in Penang in the Legislative Council. In a courageous speech in the Council, Dr. Ong made an outspoken declaration of Chinese feeling a few weeks before his death. It is the common belief in Malaya that his murder was revenge for the speech he made. After declaring that banditry and murder in Malaya were part of a plot to disrupt peace and order before imposing Communist terror on the country, Dr. Ong said, "Malaya is not our second home. It is our only home."







